FRANCHISE DISCLOSURE DOCUMENT

PACIUGO FRANCHISING LP
(a Texas limited partnership)
1215 Viceroy Drive
Dallas, Texas 75247
214-654-9501
www.paciugo.com
info@paciugo.com

PACIUGO® Ante Lucrum Nomen GELATO & CAFFÈ ®

The franchise described in this disclosure document is for a retail outlet ("Unit") which sells gelato and other specialty food items, beverage items, and products. There are 2 types of Units available: Paciugo Gelato Caffè Units and Paciugo Kiosk Units.

The total investment necessary to begin operation of a Paciugo franchise is between \$241,700 and \$455,000 for a Paciugo Gelato Caffè Unit; and between \$101,500 and \$163,500 for a Paciugo Kiosk Unit. This includes \$38,000 to \$47,500 that must be paid to the franchisor or its affiliate, except that if you purchase a Paciugo Kiosk Unit, the amount paid to the franchisor or its affiliate will be \$30,000 to \$30,500.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no governmental agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Paciugo at 1215 Viceroy Drive, Dallas, Texas 75247 and 214-654-9501, extension 110.

The terms of your contract will govern your franchise relationship. Don't rely on the disclosure document alone to understand your contract. Read all of your contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or an accountant.

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "A Consumer's Guide to Buying a Franchise," which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

There may also be laws on franchising in your state. Ask your state agencies about them.

Issuance Date: May 12, 2016. The Effective Dates in various states are described in the State Cover Page.

STATE COVER PAGE

Your state may have a franchise law that requires a franchisor to register or file with a state franchise administrator before offering or selling in your state. REGISTRATION OF A FRANCHISE BY A STATE DOES NOT MEAN THAT THE STATE RECOMMENDS OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT.

Call the state franchise administrator listed in *Exhibit B* for information about the franchisor or about franchising in your state.

MANY FRANCHISE AGREEMENTS DO NOT ALLOW YOU TO RENEW UNCONDITIONALLY AFTER THE INITIAL TERM EXPIRES. YOU MAY HAVE TO SIGN A NEW AGREEMENT WITH DIFFERENT TERMS AND CONDITIONS IN ORDER TO CONTINUE TO OPERATE YOUR BUSINESS. BEFORE YOU BUY, CONSIDER WHAT RIGHTS YOU HAVE TO RENEW YOUR FRANCHISE, IF ANY, AND WHAT TERMS YOU MIGHT HAVE TO ACCEPT IN ORDER TO RENEW.

Please consider the following RISK FACTORS before you buy this franchise:

1. THE FRANCHISE AGREEMENT STATES THAT THE LAW OF TEXAS GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.

2. THE FRANCHISE AGREEMENT PERMITS YOU TO MEDIATE AND LITIGATE ONLY IN THE CITY WHERE WE HAVE OUR PRINCIPAL PLACE OF BUSINESS (CURRENTLY DALLAS, TEXAS). OUT OF STATE MEDIATION OR LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST MORE TO MEDIATE OR LITIGATE WITH US IN OUR HOME STATE THAN IN YOUR HOME STATE.

3. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

We may use the services of one or more FRANCHISE BROKERS or referral sources to assist us in selling our franchise. A franchise broker or referral source represents us, not you. We pay this person a fee for selling our franchise or referring you to us. You should make sure to do your own investigation of the franchise.

Effective Date: See the next page for state effective dates.

STATE EFFECTIVE DATES

The following states require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin.

This Franchise Disclosure Document is registered, on file or exempt from registration in the following states having franchise registration and disclosure laws, with the following effective dates:

State	Effective Date
California	
Hawaii	
Illinois	
Indiana	
Maryland	
Michigan	
Minnesota	
New York	
North Dakota	
Rhode Island	
South Dakota	
Virginia	
Washington	
Wisconsin	

This Franchise Disclosure Document is not required to be registered in the following states, but an exemption has been filed as required by the state's business opportunity laws and the Disclosure Document is effective as of the date specified below:

Connecticut	August 12, 2004 (one-time filing)
Florida	
Kentucky	September 17, 2004 (one-time filing)
Nebraska	April 3, 2007 (one-time filing)
Texas	August 1, 2001 (one-time filing)
Utah	

In all the other states, the effective date of this Franchise Disclosure Document is the issuance date of May 12, 2016.

NOTICE REQUIRED BY THE STATE OF MICHIGAN

THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU.

1. A prohibition on the right of a franchisee to join an association of franchisees.

2. A requirement that a franchisee assent to a release, assignment, novation, waiver or estoppel which deprives a franchisee of rights and protections provided in this Act. This will not preclude a franchisee, after entering into a franchise agreement, from settling any claims.

3. A provision that permits a Franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause will include the failure of the franchisee to comply with any lawful provision of the Franchise Agreement and to cure this failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure this failure.

4. A provision that permits a Franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures and furnishings. Personalized materials which have no value to the Franchisor and inventory, supplies, equipment, fixtures and furnishings not reasonably required in the conduct of the franchised business are not subject to compensation. This subsection applies only if (i) the term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising of other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of Franchisor's intent not to renew the license.

5. A provision that permits the Franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.

6. A provision requiring that mediation or litigation be conducted outside this state. This will not preclude the franchisee from entering into an agreement, at the time of mediation, to conduct mediation at a location outside this state.

7. A provision which permits a Franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a Franchisor from exercising a right of first refusal to purchase the franchise. Good cause will include, but is not limited to:

a. The failure of the proposed transferee to meet the Franchisor's then current reasonable qualifications or standards.

b. The fact that the proposed transferee is a competitor of the Franchisor.

c. The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

d. The failure of the franchisee or proposed transferee to pay any sums owing to the Franchisor or to cure any default in the Franchise Agreement existing at the time of the proposed transfer.

8. A provision that requires the franchisee to resell to the Franchisor items that are not uniquely identified with the Franchisor. This subdivision does not prohibit a provision that grants a Franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the Franchisor the right to acquire the assets of a franchise for the market or appraised value of the assets if the franchisee has breached the lawful provisions of the Franchise Agreement and has failed to cure the breach in the manner provided in Subdivision (c).

9. A provision which permits the Franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual service.

THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE ATTORNEY GENERAL.

ANY QUESTIONS REGARDING THIS NOTICE SHOULD BE DIRECTED TO THE OFFICE OF THE ATTORNEY GENERAL, CONSUMER PROTECTION DIVISION, ATTN: FRANCHISE DEPARTMENT, 670 WILLIAMS BLDG., LANSING, MICHIGAN 48913, (517) 373-7117.

THE MICHIGAN NOTICE APPLIES ONLY TO FRANCHISEES WHO ARE RESIDENTS OF MICHIGAN OR LOCATE THEIR FRANCHISES IN MICHIGAN.

FRANCHISE DISCLOSURE DOCUMENT

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PACIUGO FRANCHISING LP

FRANCHISE DISCLOSURE DOCUMENT

ITEM 1 THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

To simplify the language in this disclosure document, "we" or "us" means Paciugo Franchising LP, the franchisor. "You" means the person or entity to whom we grant a franchise, as franchisee. If you are a corporation, partnership or other legal entity, "you" may also include your owners, depending on the context.

The Franchisor

We were formed in Texas on July 17, 2001. Our principal business address is 1215 Viceroy Drive, Dallas, Texas 75247. We do business under our corporate name and the name "Paciugo". We began offering Paciugo franchises described in this disclosure document in August 2004.

Our agents for service of process are listed in *Exhibit B*.

Our Predecessor and Affiliates

Our affiliate, Authentic Gelato LLC ("Authentic Gelato"), operated one or more Paciugo retail outlets making and selling gelato and other specialty food items, beverage items, and other products from 2000 to 2009. In October 2011 Authentic Gelato began operating the Paciugo Gelato Caffè shop located at NorthPark Center Mall in Dallas, Texas, and Authentic Gelato currently operates several Paciugo Gelato Caffè shops in Texas.

Authentic Gelato also owns and operates one "Alba Gelato" branded business which is similar to the Paciugo Gelato Caffè Kiosk Units ("Kiosk Units") offered under this disclosure document except that it operates under the "Alba Gelato" trade name and marks. We do not directly operate any Alba Gelato businesses, but Authentic Gelato has done so since November 2014 and currently operates the Alba Gelato shop located at Northeast Mall in Hurst, Texas.

Authentic Gelato has its principal business address at 1215 Viceroy Drive, Dallas, Texas 75247. It was originally formed as a Texas limited liability company on April 5, 2000, converted to a Texas limited partnership on July 25, 2001, and then reconverted into a limited liability company on June 30, 2007. Authentic Gelato's Paciugo businesses are similar to the franchised business we offer under this disclosure document. Except as stated in this Item 1, neither we nor our affiliates offer (or have ever offered) franchises in any other line of business.

Our affiliate, Paciugo Supply Co. LP ("Paciugo Supply"), supplies certain products and services to our franchisees. Paciugo Supply is a Texas limited partnership formed in July 2001 with its principal business address at 1215 Viceroy Drive, Dallas, Texas 75247. We have no other affiliates which supply products and services to our franchisees. Paciugo Supply has never owned or operated any business which is similar to the business being franchised.

Another affiliate, Paciugo Properties LP ("Paciugo Properties"), a Delaware limited partnership with its principal business address at 1215 Viceroy Drive, Dallas, Texas 75247, owns the trademarks, trade names, service marks, recipes, know-how and other intellectual property relating to the operation of the Franchised Businesses. Paciugo Properties has licensed us to use this intellectual property. Paciugo Properties has never owned or operated any business which is similar to the business being franchised.

We or our affiliates, Paciugo Supply, Paciugo Management and Paciugo Properties, have entered into, and are currently parties to, several product supply and license arrangements under which we supply Paciugo products to operators of retail food and beverage concessions and we may sign additional license agreements in the future for operations at any locations within or outside the United States.

Our Parent Companies

Our parent companies are Paciugo Holdings, LP, a Texas limited partnership, and Paciugo Management LLC, a Texas limited liability company, both of which have their business address at 1215 Viceroy Drive, Dallas, Texas 75247. Neither of our parent companies has ever owned any business which is similar to the business being franchised. From 2001 to 2009, Paciugo Management LLC ("Paciugo Management") was involved in the operation of our affiliate-owned Units as a result of its partial ownership and management of Authentic Gelato. Neither of our parent companies has ever offered franchises in any line of business.

The Franchised Business

We award franchises for the operation of retail gelato outlets which use the trade names, service marks, trademarks, logos, emblems and indicia of origin licensed to us by Paciugo Properties (collectively, the "Marks") and operate under distinctive operating procedures and standards we specify (the "System"). A retail business operated under the System and Marks is referred to in this disclosure document as the "Franchised Business" or "Unit." There are 2 types of Caffè Units, Paciugo Gelato Caffè Units and Kiosk Units. All Units sell high-quality gelato and other specialty food and beverage items, as well as related products. Units may also offer authorized gelato catering services.

The primary differences between the Kiosk Units (offered under the Kiosk Franchise Agreement attached as *Exhibit D* to this Disclosure Document) and the Paciugo Gelato

Caffè Units (offered under the Franchise Agreement attached as *Exhibit C* to this Disclosure Document) is the fact that Kiosk Units receive the finished gelato products from our affiliate, Paciugo Supply, ready to be served, while Paciugo Gelato Caffè Units receive gelato ingredients and require trained personnel for the on-site production of gelato.

Typically, Paciugo Gelato Caffè Units are located in multi-tenant retail locations to take advantage of existing customer traffic; however, virtually any type of retail structure could be suitable for a Paciugo Gelato Caffè Unit, subject to our site-selection criteria. Kiosk Units are typically located within established retail stores, in shopping malls or in other commercial locations that meet our site-selection criteria.

If we approve your franchise application, you will have the right to sign a franchise agreement ("Franchise Agreement"), as franchisee, with us for the establishment and operation of a single Unit at a specific location. Our standard form Franchise Agreement applicable to Paciugo Gelato Caffè Units is attached to this disclosure document as *Exhibit C*. Our Paciugo Gelato Caffè Kiosk Franchise Agreement is attached to this disclosure document as *Exhibit D*.

General Market and Competition

The primary market for the services and products offered by the Franchised Business is customers who appreciate authentic, high-quality gelato, premium quality coffees, Italian style beverages including espresso drinks, shakes, and smoothies, as well as complementary gourmet food items.

The frozen dessert market, as a whole, is highly competitive, and includes retail units and kiosks selling ice cream, frozen yogurt, shaved ice, industrial and freshly-made gelato and smoothies. In some locations – primarily in certain parts of major metropolitan areas – the frozen dessert market appears to have reached saturation. You may have to compete with numerous other independent and chain-affiliated businesses, some of which may be franchised. Many ice cream and frozen yogurt franchise systems, in particular, have already established national and international brand recognition. Additionally, many grocery stores, convenience stores, and other types of retail locations sell individual servings of ice cream, sherbet, sorbet, slurpies, industrial gelato and other frozen desserts.

The gelato segment of the frozen dessert market is not well-developed in the United States. In fact, many potential customers who regularly eat ice cream and frozen yogurt have never tried gelato. Indeed, many may have never even heard of gelato. You should consider the Franchised Business as a developing business in a general market segment with many well-established competitors.

Industry-Specific Laws and Regulations

You must comply with all local, state, and federal laws and regulations that apply to your Franchised Business operations. In addition to the statutes, regulations and ordinances applicable to businesses generally, such as the Americans with Disabilities Act, Federal Wage and Hour Laws, and the Occupational Safety and Health Act, you should be aware that certain aspects of the food and beverage service business are heavily regulated by federal, state and local statutes, rules and ordinances. The U.S. Food and Drug Administration, the U.S. Department of Agriculture, and state and local departments of health, and other agencies have statutes, regulations and ordinances concerning the preparation of foods and beverages, and the sanitary condition of Unit facilities. State and local agencies routinely conduct inspections for compliance with these requirements.

You must also comply with all payment card infrastructure ("PCI") industry and government security standards and requirements designed to protect cardholder data. PCI standards apply to both technical and operational aspects of credit card and other payment card transactions and apply to all organizations which store, process or transmit cardholder data.

You should consult with an attorney or business advisor about the laws, regulations and ordinances that may affect operation of your Unit.

ITEM 2 BUSINESS EXPERIENCE

Chief Executive Officer and Co-Founder: Ugo Ginatta
Ugo Ginatta is our co-founder and has been our CEO since our inception in July 2001. He also served as our President from July 2001 to December 2010. In addition, Mr. Ginatta has been president of Authentic Gelato in Dallas, Texas since April 2000.

President and Co-Founder: Vincent J. Ginatta
Vincent Ginatta is our co-founder and has been our President since January 2011. From our inception in July 2001 to December 2010, Mr. Ginatta served as our Technical Director. He has also been the Technical Director of Authentic Gelato in Dallas, Texas since December 2000.

Vice President of Operations: Kirby Dolliole
Kirby Dolliole has been our Vice President of Operations since January 2014. Before joining us, Mr. Dolliole served as a Vice President of Operations for Jamba Juice in Texas from 2003 to 2013.

Director of Marketing: Cathy Atkinson
Cathy Atkinson has been our Director of Marketing since November 2015. Prior to joining us, Ms. Atkinson served as Marketing Director for Entertainment Properties Group, Inc (iT'Z Family, Food & Fun and PINSTACK brands) in Texas from May 2011 to

October 2015. From January 2010 to May 2011, Ms. Atkinson served as Marketing Coordinator at Corner Bakery Café in Texas.

Franchise Business Coach: Michael Goodnight
Michael Goodnight has served as our Franchise Business Coach since October 2014. Before beginning his career with us, Michael spent 13 years as an employee of Chipotle in Dallas from 2001 to 2014. Over that time he served many roles, including Senior Restaurant Manager, Culture and Language Consultant, and Regional Training Manager. He is currently based out of Dallas, Texas.

ITEM 3 LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4 BANKRUPTCY

No bankruptcy information is required to be disclosed in this Item.

ITEM 5 INITIAL FEES

Franchise Agreement

Your initial franchise fee will be $30,000, except that if you purchase a Kiosk Unit your initial franchise fee will be $25,000.

You must pay the initial franchise fee to us in a lump sum when you sign the Franchise Agreement. We will not refund any portion of the initial franchise fee.

In addition to the initial franchise fee paid to us, you will make payments to Paciugo Supply before opening the Unit for opening inventory and supplies in the range of $8,000 to $10,000 ($5,000 to $5,500 for Kiosk Units). These items are available for purchase only from Paciugo Supply, and your payments are non-refundable.

If the proposed location for your Unit is in a shopping mall or regional shopping center and you are not purchasing a Kiosk Unit, we will direct the search process and assist you in evaluating the location before assisting you in the negotiation of basic business terms with the landlord or management company. For these services, you will pay us a Real Estate Fee of $7,500 when you sign the lease. Our assistance with your search process and evaluation of potential sites is limited to identifying sites that meet our minimum site selection guidelines. You will make the final decision about where to locate your Unit based on your own evaluation of potential sites. Our assistance and acceptance of a site you choose does not constitute a representation or warranty that the proposed site will be a profitable location for your Unit.

Except as specified in this Item, you are not required to purchase or lease any items or services from us or our affiliates before you open your Unit.

ITEM 6 OTHER FEES

TYPE OF FEE	AMOUNT	DATE DUE	REMARKS
Royalty	4.5% of weekly Gross Sales.	Friday of each week on prior week's Gross Sales	See Note 2 for the definition of Gross Sales.
Marketing Fee	2.5% of weekly Gross Sales (or 1.5% of weekly Gross Sales for a Kiosk Unit).	Same as Royalty.	Funds the Marketing Programs.
Initial Training Fee	No fee for initial training of initial manager for Unit. You must pay then-current tuition and expenses for initial training of any successor manager.	As incurred.	You must also pay all expenses for travel, transportation, meals, lodging and wages/benefits you or your manager incur in attending training programs.
Other Training Fee	Amount of tuition charged to each trainee, and our expenses for any materials we provide.	Upon demand.	We may offer or require additional or refresher training programs.
Conference Fee	Amount charged to each franchisee necessary to cover our expenses.	Before conference.	Franchisees, their owners or managers may be required to attend.
Per Diem Fee	The amount of our expenses incurred due to your delay (including our expenses for travel, transportation, meals, lodging and wages/benefits)	Upon demand.	Payable if you request additional assistance or if you are not ready to open the Unit as scheduled.
Transfer Fee	One-half of the then-current initial franchise fee being charged to new franchisees.	On or before date of transfer.	To be paid by you or your transferee.
Renewal Fee	The greater of $15,000 or 50% of our then-current standard initial franchise fee	Upon written notice of your desire to renew.	Payable if you desire to renew the right to operate the Unit after the initial term

TYPE OF FEE	AMOUNT	DATE DUE	REMARKS
Manual Replacement Fee	$1,000	As incurred.	We loan you one Manual for each Unit at no expense. You must pay for any replacements.
Audit and Inspection Cost Recovery	Cost of audit or inspection and related expenses.	Upon demand.	Payable when an audit reveals you have paid less than 97% of the correct amount of fees for any month, or when you fail to cooperate with our auditor or inspector.
Taxes	Amount assessed to us by federal, state and local tax authorities on any payments you make to us.	Upon demand.	Includes sales, gross receipt, excise, use, state income or similar taxes (but not federal income tax) assessed against us.
Indemnification Costs	Costs of defending and resolving indemnified claims, including attorneys' fees.	Upon demand.	If we are held liable for claims arising in connection with your operation of the Franchised Business.
Dispute Resolution Costs	Our costs, including attorneys' fees.	Upon demand.	Payable if we incur attorneys' fees or other expenses as a result of your default or breach of any agreement with us.
Late Payment Fee	Lesser of 1.5% per month or maximum rate permitted by applicable law on the unpaid amount.	Upon demand.	Payable on amounts you owe to us but have not paid.

TYPE OF FEE	AMOUNT	DATE DUE	REMARKS
Liquidated Damages	An amount equal to: (a) 4.5% of your Unit's average monthly Gross Sales during the 24 months (or the total number of months your Unit has been open, if less than 24 months) immediately prior to your Unit's closure or termination of your Franchise Agreement, whichever is earlier; (b) multiplied by the number of months left in the term of your Franchise Agreement.	Upon demand.	If you discontinue, renounce or abandon your operations under your Franchise Agreement or we otherwise terminate the agreement due to any material default by you, then you may be required to pay us liquidated damages. Such amount shall be due and payable to us in one lump sum payment promptly upon our written request.
Late Report Fee	$50 per week	Upon demand.	You must pay us $50 per week for each week that the required report or financial statement remains undelivered.

NOTES:

1. This table lists other recurring or isolated fees or payments that each franchisee must pay. All fees are payable only to us. All fees are uniformly imposed and collected by us, and are non-refundable. Unless we have noted differently, we may increase these amounts based on changes in market conditions, our cost of providing services and future policy changes, but we have no present plans to increase any fees.

2. Gross Sales includes all revenue from your sale of products and services, including the sale of food, beverages and merchandise and all other income of whatever nature relating to the Unit, whether for cash or credit, and regardless of collection in the case of credit.

ITEM 7 ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT (NOTE 1)					
TYPE OF EXPENDI-TURE	GELATO CAFFE' UNIT RANGE OR AMOUNT	KIOSK UNIT RANGE OR AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAID
Franchise Fee (Note 1)	$30,000	$25,000	Lump sum	When you sign Franchise Agreement	Us
Real Estate Fee (Note 2)	$0	$0	Lump sum	When you sign the lease	Us
Rent (Note 3)	$2,000 to $10,000	$0 to $8,000	As required by payee	Monthly	Landlord
Design Cost (Note 4)	$13,000 to $26,000	$13,000 to $22,000	As required by payee	As incurred, before opening	Approved suppliers
Leasehold Improvements (Note 5)	$60,000 to $160,000	-	As required by payee	As incurred, before opening	Various suppliers
Equipment (Note 6)	$80,000 to $90,000	-	As required by payee	As incurred, before opening	Approved suppliers
Décor (Note 7)	$20,000 to $50,000	-	As required by payee	As incurred, before opening	Approved suppliers
Signs (Note 8)	$12,000 to $25,000	-	As required by payee	As incurred, before opening	Approved suppliers
Opening Inventory and Supplies (Note 9)	$8,000 to $10,000	$5,000 to $5,500	Lump sum	As incurred, before opening	Paciugo Supply
Installation (Note 10)	$3,000 to $6,000	-	As required by payee	As incurred, before opening	Approved suppliers
Computer System (Note 11)	$4,000 to $12,000	-	As required by payee	As incurred, before opening	Approved suppliers
Training Expenses (Note 12)	$500 to $4,000	$500 to $4,000	As required by payee	As incurred, before opening	Airlines, hotels, restau-rants, etc.
Grand Opening Cost (Note 13)	$8,000	$3,000	As required by payee	On or before the date you sign your Lease	Desig-nated or approved vendors
Miscellaneous Opening Costs (Note 14)	$1,200 to $4,000	$0 to $1,000	As required by payee	As incurred, before opening	Utility company, govern-mental agencies, insurance company, suppliers, etc.

YOUR ESTIMATED INITIAL INVESTMENT (NOTE 1)					
TYPE OF EXPENDI-TURE	**GELATO CAFFE' UNIT RANGE OR AMOUNT**	**KIOSK UNIT RANGE OR AMOUNT**	**METHOD OF PAYMENT**	**WHEN DUE**	**TO WHOM PAID**
Additional Funds For First 3 Months (Notes 15 and 16)	$0 to $20,000	$0 to $10,000	As required by payee	As incurred, before or after opening	Employees, suppliers, professionals, utility company, govern-mental agencies, insurance company, suppliers etc.
Design Cost Leasehold Improvements Equipment Décor Signs Installation Computer System (Note 16)	-	$55,000 to $85,000	As required by payee	As incurred, before opening	Approved supplier
TOTAL:	$241,700 to $455,000	$101,500 to $163,500			

NOTES:

None of the fees and costs payable to us are refundable, unless otherwise described. Fees and costs payable to others are generally not refundable unless you negotiate this right with them.

1. Franchise Fee. The initial franchise fee and certain pre-opening expenses are described in Item 5 of this disclosure document and are non-refundable.

2. Real Estate Fee. If the proposed location for your Unit is in a shopping mall or regional shopping center and you are not purchasing a Kiosk Unit, we will direct the search process and assist you in evaluating the location before assisting you in the negotiation of basic business terms, for which you will pay us the Real Estate Fee when you sign the lease for your Unit. Our assistance with your search process and evaluation of potential sites is limited to identifying sites that meet our minimum site selection guidelines. You will make the final decision about where to locate your Unit based on your own evaluation of potential sites. Our assistance and acceptance of a site you choose does not constitute a representation or warranty that the proposed site will be a profitable location for your Unit.

3. Rent. We estimate that a typical traditional Unit (which may include, for example, street locations, in-line lifestyle shopping center locations or other retail locations) will need from 800 to 1,200 square feet of floor space. We estimate that a typical Kiosk Unit will need from 120 to 200 square feet of floor space. It is not possible for us to estimate your rent expenses with much certainty, due to the material differences in these costs from location to location, and because some institutional landlords may charge a variable rent based on a percentage of your sales, with or without a fixed minimum rental charge. You should investigate rents in your area.

4. Design Cost. This estimate is for the approved architecture firm we designate to perform the following services: Test Fit Planning and Design Development. You may then provide this information to another architect of your choice (subject to our approval), to complete the construction documents, or you may have our designated architect complete the construction documents (for an additional fee). The additional fee for the construction documents is included in the Leasehold Improvements expenses.

5. Leasehold Improvements. Leasehold improvements involve expenses associated with the design and build out of the Unit, such as additional architecture services, and plumbing, electrical and remodeling work. You may be able to negotiate with your landlord for a landlord contribution for these expenses. The considerable spread from minimum to maximum is due to factors such as Unit size and type, configuration, existing conditions of the locations, and local labor prices. The estimate shown does not reflect any landlord contribution. The contractor must be approved by us in advance of beginning work.

6. Equipment. The estimates are for the equipment you will need to open a Unit. All of these items are available for purchase from the approved suppliers.

7. Décor. The estimates are for the décor items (including furnishings and fixtures) you will need to open a Unit. All of these items are available for purchase from approved suppliers. You may not deviate from our System Standards relating to

the appearance and other aesthetics of your Unit, unless you have our prior express written consent.

8. Signs. The estimates are for the interior and exterior signs you will need to open a Unit. These signs are available for purchase from approved suppliers.

9. Opening Inventory and Supplies. The estimates are for opening inventory and supplies, which are available for purchase from Paciugo Supply.

10. Installation. The estimates are for the costs of installing the equipment. Approved suppliers will provide these installation services.

11. Computer System. Includes purchase of point-of-sale system, separate office computer, accessories and installation.

12. Training Expenses. The estimates include costs for the attendance of 1 trainee. Travel expenses vary substantially depending on method of travel, point of origin, distance, advance purchase requirements, and other factors. The low estimate is for a franchisee within daily driving distance of Dallas, Texas. The high estimate includes amounts for airfare, hotel, rent car and meals. These estimates do not include any salary or wages/benefits you may pay to any of your trainees for the time they spend in training.

13. Grand Opening Cost. On or before the date on which you sign the lease for your Franchised Business, you must pay this amount in one lump sum payment to our designated or approved vendors for the costs of designing a grand opening marketing plan, printing and mailing grand opening announcements, opening discounts, media/print ads, and free product give-aways in connection with your grand opening celebration.

14. Miscellaneous Opening Costs. Includes utility costs and deposits, security deposits, insurance premiums, and business licenses and permits.

15. Additional Funds. You will need capital to support on-going expenses, such as payroll, insurance premiums, taxes, bonds, initial accounting services, overhead, and other miscellaneous expenses, to the extent these expenses may exceed your sales revenues. We believe that the estimated amount will be sufficient to cover on-going expenses in excess of your sales revenues for the first 3 months of operation. This amount is an estimate, and it does not include any debt service payments. We cannot guarantee that you will not have additional expenses starting your business. Your actual costs will depend on factors such as your management skill, experience and business acumen, economic conditions, the local market for your business, the local prevailing wage rate, competition and the performance of your Unit. We relied on our experience and Authentic Gelato's experience since 2000 in estimating your needs for additional funds.

16. Design Cost, Leasehold Improvements, Equipment, Décor, Signs, Installation and Computer System. The Design Cost is for the approved architecture firm we designate to perform the following services: Test Fit Planning and Design Development. Leasehold improvements involve expenses associated with the design and build out of the Unit, such as additional architecture services, electrical and remodeling work. These estimates also include the equipment, the costs of installing the equipment, the décor items (including furnishings and fixtures) the signs and purchase of point-of-sale system, separate office computer, accessories and installation you will need to open a Unit. You may not deviate from our System Standards relating to the appearance and other aesthetics of your Unit, unless you have our prior express written consent. You will need capital to support on-going expenses, such as payroll, insurance premiums, taxes, bonds, initial accounting services, overhead, and other miscellaneous expenses, to the extent these expenses may exceed your sales revenues. We believe that the estimated amount will be sufficient to cover on-going expenses in excess of your sales revenues for the first 3 months of operation. This amount is an estimate, and it does not include any debt service payments. We cannot guarantee that you will not have additional expenses starting your business. Your actual costs will depend on factors such as your management skill, experience and business acumen, economic conditions, the local market for your business, the local prevailing wage rate, competition and the performance of your Unit. We relied on our experience and Authentic Gelato's experience since 2000 in estimating your needs for additional funds.

The table in this item estimates the major initial expense categories involved in establishing one Unit in accordance with our current plans and specifications. ACTUAL EXPENSES WILL VARY AMONG FRANCHISEES. CAREFUL FINANCIAL PLANNING IS ESSENTIAL FOR ALL PROSPECTIVE FRANCHISEES. You should consult with a business advisor before making any decision to purchase a franchise.

Neither we nor any affiliate offer direct or indirect financing for any fees or expenses.

ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

To ensure uniformity and quality in all Units, you must purchase all furnishings, fixtures, equipment, signs, supplies, inventory, uniforms, and other products and materials, and services, used in the establishment and operation of the Unit in accordance with our written specifications. These specifications may include minimum standards for quality, delivery, performance, design, appearance, and other restrictions, as we periodically determine. These specifications are contained in the Manual or will otherwise be provided to you in writing, and we may, by written notice to you or through changes to the Manual, periodically change these specifications. You may incur an expense or increased costs to comply with these changes.

You must purchase certain items and services from suppliers that we have approved in writing. A list of these items and the approved suppliers is contained in the Manual or will otherwise be provided to you in writing. Our approved suppliers have demonstrated to our satisfaction that they have the ability to meet our standards and specifications for the relevant items, they possess adequate quality controls, and they have the capacity to supply your needs promptly and reliably. Approved suppliers do not currently make payments to us on account of transactions with our franchisees, but we may receive these types of payments in the future. We may implement a program in which certain vendors may be required to rebate amounts to us or our affiliate, Paciugo Supply, in proportion to the products purchased by franchisees. This program could take effect as early as the current fiscal year.

Our affiliate, Paciugo Supply, is an approved supplier for some of the items used in the establishment and operation of the Unit. In the case of Kiosk Units, Paciugo Supply is the sole approved supplier for the kiosk structure that you must use. Paciugo Supply is currently the sole approved supplier for certain items of inventory and supplies, including the proprietary gelato ingredients and decorations, coffee, and certain supplies such as bags, paper cups, spoons and take-away containers.

Regardless of which type of Unit you elect to purchase and operate, we or our affiliates may become the sole approved supplier of additional products or services in the future. We and our affiliates may derive revenue from the sale of these items to you. However, we expect that we and our affiliates will offer products and services to you at or below market price. In 2015, we received no revenues directly as a result of purchases by our franchisees. In 2015, Paciugo Supply received revenues of $2,791,964 as a result of purchases by our franchisees (representing 74% of its total revenues in that year).

If you desire to use or offer additional items or services that we have not approved, or you desire to purchase approved items and services from a supplier that we have not approved, you must first obtain our written consent. We do not have any formal policies or procedures for approving new items, services or suppliers, or for revoking approval. We may require you to provide us with photographs, drawings, specifications, samples or any additional materials or information we desire to evaluate your request. You must pay for our reasonable expenses in evaluating your request. We will notify you of our approval or disapproval of any new item, service or supplier requested by you within a reasonable time (typically within 120 days) after we have received all of the relevant information we requested. We may withhold approval of any item, service or supplier, as we determine in our discretion. We can revoke approval of an approved item, service, or supplier at any time in our sole discretion, and we will notify you of any revocation of approval.

The cost of purchasing items from us or our affiliates could represent about 4% to 7% of your total purchases in connection with establishment of a Unit (not including rent or the cost of leasehold improvements), and about 80% of your total purchases in connection with the ongoing operation of the Unit. However, if you purchase a Kiosk Unit, then your purchases of items from us or our affiliates will represent approximately 95 to 100% of your total purchases for establishing the Unit and approximately 95 to 100% of your total purchases for the ongoing operation of your Unit. We estimate that the cost of purchasing items from approved suppliers (other than us or our affiliates) will represent approximately 75% to 85% of your total purchases in establishing your Unit, and 3% of your total purchases in the continuing operation of the Unit. We estimate that the cost of purchasing items in accordance with our specifications where no approved suppliers have been identified will represent approximately 2% to 5% of your total purchases in establishing your Unit and approximately 5% of your total purchases in the continuing operation of the Unit.

We may attempt to negotiate discount purchase arrangements from approved suppliers for the benefit of our franchisees, based upon the combined buying power of our franchise network. These discounts, when obtained, may result in lower prices for the items being purchased. Currently, we have 2 of these purchase arrangements with manufacturers of batch freezers and display cases. We may be able to negotiate discounts off standard pricing on other items in the future. In order for our franchisees to obtain volume discounts, you may be required to purchase items from suppliers with whom we have negotiated discount purchase arrangements.

We do not currently have purchasing or distribution cooperatives, but may have in the future.

We require you to use the design services of a designated architecture firm. You must also purchase certain build-out items and equipment from our designated suppliers, including signs and drum pendant lenses, menu boards, specialty lighting fixtures, equipment and smallwares, espresso machine, display cases, batch freezers, lobby tile, cove base tile chandeliers, millwork/casework/counters and banquette seating, table tops, table bases, chairs, and backsplash tile. We reserve the right to change designated suppliers for any of these items at any time, and we may approve additional suppliers for these products in the future.

We require you to purchase an integrated point-of-sale system meeting our standards and specifications from our approved POS vendor(s), and utilize the services of such vendor(s) to install the point-of-sale system. We reserve the right to change the approved POS vendor(s) at any time upon written notice to you. If we require, you will accept stored-value gift cards or other non-cash payment methods that we may specify from time to time for use in the Franchised Business to enable customers to purchase products and/or services offered by the Franchised Business without cash in accordance with System Standards. You will, at your expense, purchase or lease, maintain and use, any necessary hardware and/or software that we may specify in connection with these non-cash systems. We also strongly recommend, but do not require, that you install and use a remote management system from one of the approved remote management vendors.

Regardless of the type of Unit you operate, you must obtain and at all times maintain insurance from an insurance company acceptable to us, in accordance with our specifications, which we may periodically change. If you offer catering, your catering operations must be insured in accordance with our specifications.

Some of our officers own an interest (direct or indirect) in Paciugo Supply. Except for the ownership interest in Paciugo Supply, none of our officers own an interest in any privately-held suppliers or any material interest in any publicly-held suppliers of the Paciugo franchise system. From time to time our officers may own non-material interests in publicly-held companies that may be suppliers to our franchise system.

We consider a variety of factors when determining whether to grant additional franchises. Among the factors we consider is compliance with the requirements described above. Otherwise, we do not offer any benefits to franchisees for following the requirements in this Item.

ITEM 9 FRANCHISEE'S OBLIGATIONS

THIS TABLE LISTS YOUR PRINCIPAL OBLIGATIONS UNDER THE FRANCHISE AND OTHER AGREEMENTS. IT WILL HELP YOU FIND MORE DETAILED INFORMATION ABOUT YOUR OBLIGATIONS IN THESE AGREEMENTS AND IN OTHER ITEMS OF THIS DISCLOSURE DOCUMENT.

OBLIGATION	SECTION IN FRANCHISE AGREEMENT	ITEM IN DISCLOSURE DOCUMENT
a. Site selection and acquisition / lease	2.1, 2.2, 2.3, 3.11	Item 11
b. Pre-opening purchases / leases	2.3, 2.4, 3.2, 3.9, 3.16, 3.22	Items 5, 7 and 8
c. Site development and other pre-opening requirements	2.4, 2.5, 2.6, 3.2, 3.9	Items 8 and 11
d. Initial and ongoing training	3.3, 3.4, 3.5	Item 11
e. Opening	3.2	Item 11
f. Fees	5	Items 5 and 6

OBLIGATION	SECTION IN FRANCHISE AGREEMENT	ITEM IN DISCLOSURE DOCUMENT
g. Compliance with standards and policies / operating manuals	6	Items 11 and 14
h. Trademarks and proprietary information	7	Items 13 and 14
i. Restrictions on products / services offered	1.5, 3.7	Items 5, 8 and 16
j. Warranty and customer service requirements	3.19	Item 16
k. Territorial development and sales quotas	Not Applicable	Item 12
l. Ongoing product / service purchases	3.16	Items 8 and 16
m. Maintenance, appearance and remodeling requirements	2.7, 3.9, 3.10	Item 8
n. Insurance	3.14	Items 7 and 8
o. Advertising	3.6, 3.21	Items 6, 8 and 11
p. Indemnification	11	Item 6
q. Owner's participation / management / staffing	3.1, 3.5	Item 15
r. Records / reports	3.13	Not Applicable
s. Inspection / audits	9	Items 6 and 11
t. Transfer	12	Items 6 and 17

OBLIGATION	SECTION IN FRANCHISE AGREEMENT	ITEM IN DISCLOSURE DOCUMENT
u. Renewal	1.7	Item 17
v. Post-termination obligations	14	Item 17
w. Non-competition covenants	3.18, 14.7	Items 15 and 17
x. Dispute resolution	15	Item 17
y. Taxes / permits	3.12, 5.4	Item 1

ITEM 10 FINANCING

We currently do not offer any direct or indirect financing. We do not guarantee any of your notes, leases or other obligations.

ITEM 11 FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING

Except as listed below, we are not required to provide you with any assistance.

This Item describes the minimum assistance we are contractually obligated to provide to you. We may provide you with more assistance than listed below.

Pre-Opening Obligations

The Franchise Agreement obligates us to provide certain supervision, assistance, and services to you, but the Franchise Agreement generally does not specify whether these services must be provided before or after you open your Unit. It is our intention, however, to provide the following assistance and services before you open your Unit: (Section numbers cited below refer to the applicable sections in the Franchise Agreement).

(1) We will provide you with reasonable assistance and consultation regarding the location, placement and layout of the Unit at the Approved Location. (Section 4.1)

(2) We will provide you with a detailed checklist, referred to as the "Paciugo Turnkey," covering substantially all of the operating steps required to establish and open the Unit. (Section 4.2)

(3) We will make available standard plans and specifications for the construction and/or build out for your Unit. (Section 4.3)

(4) We will provide you with reasonable assistance and consultation regarding constructing, remodeling or decorating the Unit. (Section 4.3)

(5) We will provide you with an initial training program. You must attend the classes taught during this program. If there are multiple owners, we will provide training to 1 owner. If you will not be operating the Unit, we will offer this training to your initial manager and may offer it to each successor manager. (Section 4.4)

(6) We will provide you with reasonable pre-opening assistance and consultation. (Section 4.6)

(7) We will provide, at your expense, promotional and advertising materials and consultation in connection with the opening of your Unit. (Section 4.6)

(8) We will provide you with reasonable on-site assistance and supervision regarding the opening of your Unit, including 4 days of on-site assistance by 1 of our representatives in connection with your opening. (Section 4.6) Typically, our representative will be at your Unit for 2 days before the scheduled opening date, on the day of opening, and for 1 day after opening.

(9) We will provide you with our list of approved items and our list of approved suppliers. (Section 4.8)

(10) We will loan to you one copy of the Manual. (Section 4.12)

Continuing Obligations

During your operation of the Unit, we must provide the following assistance and services:

(1) We will provide you with reasonable assistance and consultation regarding operation of your Unit. (Section 4.9)

(2) We will provide you with any new proprietary methods and formulas relating to approved menu items or operation of the Unit. (Section 4.9)

(3) We will provide you with suggested or maximum, minimum or required retail prices for approved menu items and services (subject to applicable law). (Section 4.10)

(4) We will sponsor franchisee conferences if and when we desire. (Section 4.11)

(5) We will review samples of all marketing materials and other materials bearing our Marks you submit to us, and we will consider your requests for approval of these materials. (Sections 3.6(b) and 7.3)

Site Selection

The Franchise Agreement grants a franchise for a specific location which you have selected and we have approved. The factors we consider in approving sites may include location, size, suitability, layout, access and visibility of the proposed location, age and disposable income levels of prospective customers, location and nature of any competitors, population density, vehicle and pedestrian traffic levels, existing tenant mix, parking convenience, and other factors that may be relevant to your market. The same site selection criteria will generally be applicable to all Paciugo franchisees, although the criteria depend on the type of Unit. We will supply you with a typical Paciugo store layout for your type of Unit, which will assist you in planning the layout of your Unit. (Section 4.1) The Franchise Agreement requires you to sign a Lease Agreement for the Unit within 6 months after you sign the Franchise Agreement, and then open the Unit and begin business within 6 months after you sign a Lease Agreement. If you are not able to either sign a Lease Agreement for the Unit within 6 months after you sign the Franchise Agreement, or open the Unit and begin business at an approved location within 6 months after you sign a Lease Agreement, we may terminate the Franchise Agreement.

Opening

You must sign a Lease Agreement for the Unit within 6 months after you sign the Franchise Agreement, and then open the Unit and begin business within 6 months after you sign a Lease Agreement for the Unit. The typical time between signing the Franchise Agreement and opening the Unit is approximately 6 to 12 months. Factors that affect this length of time include: securing financing; negotiating the lease; completing leasehold improvements; obtaining necessary permits; completing our initial training program; and hiring and training a manager and employees. (Section 3.2)

Marketing Program

We have created a national marketing fund ("Marketing Fund") with the intent to enhance recognition of the Marks and patronage of Paciugo locations through the development of advertisements, marketing materials, public relations, research, and promotional programs ("Marketing Programs"). Funding for the Marketing Programs will come from the Marketing Fund into which each franchisee's weekly Marketing Fee will be deposited.

Each franchisee will generally contribute to the Marketing Fund at the same rate as all other franchisees; however, franchisees under older versions of our franchise agreement, franchisees operating Kiosk Units and franchisees operating at non-traditional locations (e.g. airports, train stations, other transportation facilities, arenas, ballparks, stadiums, racetracks, other sports facilities, movie theaters, auditoriums, concert halls, theme parks, amusement parks, cruise ships, casinos, other entertainment facilities, grocery stores and department stores) may contribute at a different rate. We are not obligated to supplement the Marketing Fees, but we, our affiliates, marketing partners, and approved suppliers may also periodically contribute monies, services and/or materials to the marketing effort. We or our affiliates will, with respect to any company-owned Units and affiliate-owned units, contribute to the Marketing Fund on the same basis as Paciugo franchisees. We may require you to pay for the production of marketing materials to be used in your market area (in addition to your contribution of Marketing Fees). In 2015, the Marketing Fund expenses were allocated to (a) production (including promotional materials, outfitting store materials, smallwares supporting promotions, etc.) 24.5%, (b) media placement 0%, (c) administrative/marketing personnel 62.9%, (d) brand research 0%, (e) digital marketing (including e-mail program, website update and maintenance, etc.) 3.7%, (f) agency/creative services (including promotion creative development, photo shoots, local store advertisement development, LSM toolkit, etc.) 4.2%, and (g) other/miscellaneous (music rights, Righteous Clothing, samples, consultants, etc.) 4.7%.

We will direct all Marketing Programs financed by the Marketing Fund, and will have sole discretion over all aspects of the Marketing Programs, including the creative concepts, materials, research, media and endorsements used by the Fund. The Marketing Fund may be used to pay the cost of administering advertising programs, employing advertising agencies and supporting public relations, market research, and other advertising and marketing firms; and pay for Marketing Programs that we deem appropriate. Marketing Programs developed or produced by the Marketing Fund may include video, audio and written advertising materials, which will be prepared by our contracted marketing vendor(s). We may also engage in other types of national, regional and local Marketing Programs, which may include customer loyalty/rewards programs, gift card programs or other similar initiatives designed to promote or enhance the Paciugo System. Amounts contributed to the Marketing Fund will not be used to place advertising in television, radio, newspaper, or other media; rather, any media placement will be the responsibility of Paciugo franchisees or market level cooperatives. All of our franchisees must participate in any Marketing Programs implemented by us.

We or our designee will administer and apply the Marketing Fund. Unaudited financial statements for the Marketing Fund will be prepared each year, and will be available to franchisees upon request. Any monies which remain in the Marketing Fund at the end of the year will be carried over for use in the following year. The Marketing Fund may be used to compensate us (or our affiliates) for any administrative or other services which we provide to any Marketing Programs (which may include customer loyalty/rewards programs, gift card programs or other similar initiatives designed to promote or enhance the Paciugo System) and for our related out-of-pocket costs. In particular, the salaries of in-house marketing personnel may be paid by the Marketing Fund, partially or in full. The Marketing Fund will not be used for the solicitation or sales of franchises. We may terminate the Marketing Programs at our discretion. The Marketing Programs, however, will not be terminated until all money in the Marketing Fund has been spent for the purposes described above.

We do not have to expend any portion of the Marketing Fund for marketing in any particular territory. We and our designee are not obligated, in administering the Marketing Programs, to make expenditures for you which are equivalent or proportionate to your contribution, or to ensure that any particular franchisee benefits directly or pro rata from the Marketing Programs. (Sections 3.6, 4.7) We assume no direct or indirect liability or obligation to you or any other Paciugo franchisee in connection with the collection, administration, or disbursement of monies paid into the Marketing Fund.

Local Marketing

With the exception of Kiosk Units (which are not required to spend a minimum amount on local advertising), you must spend at least 2% of your monthly Gross Sales on your own local marketing and advertising activities. These activities can include off-site sampling events, public relations, participation in community events, direct mail, advertising, and other marketing programs. You must submit to us proof of these expenditures within 30 days after the end of each month in the format we require. All materials you use in your local marketing efforts (including in-store signs, collateral materials and promotions) must conform to System Standards, including proper Mark usage, and be approved in writing by us before you use them. We may, at our option, offer to provide, at no cost to you or at prices that reasonably cover our direct and indirect costs, approved templates, promotional plans, advertising and other materials, which we may develop for use by Paciugo franchisees in local marketing. We have the right, at any time after you begin using approved marketing materials, to prohibit further use, effective immediately upon your receipt of written notice. You are restricted from making press releases or similar public announcements without our consent, and you may not make any contributions or donations to any individual, entity or organization that might negatively impact the Paciugo brand or franchise system, without our consent. (Section 3.6).

We may require you to contribute up to 100% of the required local marketing expenditures to local or regional cooperative marketing if we form a local or regional cooperative in your market. There are currently no marketing cooperatives. Any company-owned Units and affiliate-owned Units in the cooperative marketing area will participate in a marketing cooperative and have voting power on the same basis as franchised Units. Your contributions to cooperative marketing will be applied toward your local marketing expense requirements.

Advisory Council

We have established a franchisee advisory council made up of franchisees to advise us on matters relating to the Paciugo System. The matters to be considered by the advisory council may include advertising matters and exploring ways to improve the System and the Paciugo brand. The advisory council acts in an advisory capacity only and does not have operational or decision-making authority. The initial members of the advisory council were appointed by us with input from our franchisees. As the terms of the initial appointees expire, replacement members of the advisory council will be designated by us in our sole discretion. Franchisees are not required to pay any advisory council fees to us. We may form, merge, change or dissolve any advisory council at any time.

Manual

We will loan you one copy of our System Standards Manual which contains mandatory and approved specifications, standards, and operating procedures applicable to the Franchised Business. The Manual is confidential and remains our property. The table of contents for the Manual is attached as *Exhibit G*, from which you can determine the number of pages devoted to each topic. (Section 4.12)

Point-of-Sale and Computer System

We require you to purchase and at all times use a point-of-sale system that complies with our standards and specifications. You must purchase your point-of-sale system from one of our approved suppliers, and we may, at our option, specify a sole designated supplier from which you must purchase your point-of-sale system. This system will include specific equipment and services required to operate the Franchised Business, including a point-of-sale software platform, computer software, computer hardware, communication equipment and/or communication services, for use in connection with your Unit. We expect the cost of the required point-of-sale and computer system to be $4,000 to $12,000 for one Franchised Business.

The point-of-sale system and/or computer system may be used to: process customers' orders, total customers' purchases, provide receipts to customers, monitor Gross Sales, calculate and report royalties; analyze sales trends; communicate with us; monitor Unit operations, product mix reports, credit card processing, gift and loyalty card processing and perform other functions. The type of information or data that may be collected or generated includes the identity of items sold, sales price, taxes, fees and other matters.

We will have the right at any time to access your information, upload and download data, and retrieve whatever data and information we may need from your point-of-sale system, computer system and communication system. You will cooperate with us completely in any of these tasks. There is no contractual limitation on our right to access your information.

You must keep your equipment, software and services in good maintenance and repair. We may require that the required equipment, point-of-sale system, hardware components, software programs and/or communication equipment be supplemented, upgraded or updated during the term of the franchise, and there is no contractual limitation on the frequency or cost of these changes. If we require the purchase of additional, upgraded or updated equipment, software or services, we will provide you with reasonable consultation to assist you to comply with our requirements. You must promptly purchase, install, and implement at your expense, any additions, changes, modifications or substitutions to your computer and communication equipment, software and services as we may periodically require within the time period we specify. The estimated cost of the ongoing maintenance, updating, upgrading or support contracts for the computer system and point-of-sale system is approximately $700 to $1,400 per year.

You are required to maintain compliance with the PCI Security Standards (www.pcisecuritystandards.org).

The goals of these standards are to:

- Build and maintain a secure network
- Protect cardholder data
- Maintain a vulnerability management program
- Implement strong access control measures
- Maintain an information security policy

While most POS vendors may provide you with tools and services to help maintain compliance with these standards, it is ultimately your responsibility to ensure compliance.

Because your systems must be compatible with our systems, strict compliance with our standards and specifications relating to the point-of-sale system, computer system and communication system will be essential. We may require that you license from us proprietary computer software that we may develop for use in the Units, and, if so, we will require execution of a software license agreement as we specify. You will not install or permit the installation of any unauthorized software on your point-of-sale equipment or computer equipment, without our prior express written consent. You will use your point-of-sale system and computer system only in connection with the Franchised Business and only according to the System Standards. (Section 3.22)

The current minimum required computer and communication equipment and services are described below:

Component	Function
Point-of-Sale System - Front Terminal(s) - Back Office Server	Process customers' orders, credit card transactions, generate

Component	Function
- Network Accessories	reports, etc.
Gift Card Processing Terminal	Allows you to accept stored-value gift cards or other non-cash payment methods
High-speed Internet connection (DSL or cable) with Static IP Address and e-mail account	Allows electronic communication and data transfer.
Wireless Internet connection (Wi-Fi) router	Allows customers to access the Internet on their laptops in your store
Fax machine and dedicated fax line	Fax transmissions
Telephone system and phone line (in addition to the dedicated fax line)	Voice communications

The integrated point-of-sale system you must purchase and use is developed by a third party vendor(s) approved by us, and the required software will be the proprietary property of that vendor(s). We may, at our option, specify a sole designated supplier from which you must purchase your point-of-sale system. You may be required to utilize the services of the designated or approved POS vendor(s) to install the point-of-sale system. The designated or approved POS vendor(s) is not obligated to update or upgrade the point-of-sale system, or any of its component equipment or software. If they do, they will provide the update/upgrades to you at your cost. Neither we nor the designated or approved POS vendor(s) are obligated to provide any maintenance or repair services to the software. However, it is common for POS vendors to offer a customer service department which, for a fee, will provide trouble-shooting assistance to you.

You must purchase and use gift and loyalty card processing software that meets our standards and specifications. You must promptly install all required gift and loyalty card processing software, and you are required to keep the gift card processing software up-to-date with all applicable software updates/upgrades.

The recommended remote monitoring/remote management system has been developed by the approved remote management vendors. The recommended equipment and software are the proprietary property of the approved remote management vendors. You may utilize the services of the approved remote management vendors to install the remote monitoring/remote management system. The approved remote management vendors are not obligated to update or upgrade the remote monitoring/remote management system, or any of its component equipment or software. If they do, they will provide the update/upgrades to you at your cost. Neither the approved remote management vendors nor we are obligated to provide any maintenance or repair services to the software. However, it is common for remote management vendors maintain a customer service department which, for a fee, will provide trouble-shooting assistance to you. You are solely responsible for maintaining security of your Franchised Business.

Purchasing

We may offer you optional assistance with purchasing and procuring goods or services for use in connection with the Franchised Business. We may require minimum standards for these goods and services and we may restrict the brands of these goods and services, and/or the suppliers authorized to sell or provide these goods and services in order to control quality, provide for consistent service or obtain volume discounts. We will maintain and provide you with a list of approved items and/or a list of approved suppliers. (Sections 3.16, 4.8) We anticipate that approved suppliers will offer goods and services for sale to our franchisees at or below market price.

Conferences

We may in the future sponsor periodic conferences for our franchisees, at which seminars, workshops and other training may be conducted. We may require you or your manager/s to attend each conference. We may charge a fee for any conference to cover our expenses. You will also be required to pay for lodging, meals, local transportation, other travel and incidental expenses, compensation and benefits incurred in attending any conferences. (Sections 3.15, 4.11)

Training Programs

Initial Training Program

The initial training program will be offered at our headquarters in Dallas, Texas. During this training program you will be required to work (without pay or other compensation) in a Unit operated by a franchisee or in a corporate owned Unit we select. Our initial training program will be offered periodically as needed, subject to scheduling, and will consist of on-the-job training, plus a minimum of 40 hours of classroom training (a minimum of 24 hours for Kiosk Units). Training materials include a Production Manual, Training Manual and may include on-line testing in the future. We will provide training instructors and training materials. You will be responsible for all other expenses, including travel, transportation, meals, lodging, and any incidental expenses.

At least 3 months before opening your Franchised Business, you must designate to us in writing an individual to serve as the initial manager for the Franchised Business. If you designate a store manager, he or she must successfully complete our initial training program to our satisfaction before you open your Unit. There is no training fee for the initial training program for your initial manager.

Any manager hired at a later date must also satisfactorily complete the initial training program, if we determine in our sole opinion that this training is necessary. You may send additional trainees to the initial training we provide, on a space-available basis. For any training of additional trainees, including later-hired managers, at our option you may be required pay our then-current fee for tuition and training materials (currently $1,400). If this training is provided at your Unit, you must pay our then-current fee for tuition and training materials (currently $250 per day), and you must also reimburse us for all reasonable expenses we incur (including our expenses for travel, transportation, meals, lodging and wages/benefits).

Our training programs are specifically tailored to the experience and ability of the individual trainee(s). The initial training program will last approximately 14 days (approximately 9 days for Kiosk Unit franchisees). If your manager has at least 6 months' experience in the operation and management of a Unit, we may, at our discretion, not require such manager to successfully complete the entire training program curriculum. (Sections 4.4, 4.5, 4.6)

The initial training program covers the basic System Standards, including gelato batch freezing, operational procedures and philosophies, and effective operations management skills. Our training program is under the direction of Terry "Scott" Dougherty, who has served as our Franchise Business Coach since April 2012. Prior to joining us, Mr. Dougherty worked as a Restaurateur for Chipotle in Dallas, Texas from March 2003 to April 2012.

STANDARD PACIUGO FRANCHISEE TRAINING PROGRAM

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON-THE-JOB TRAINING	LOCATION
Batch freezing	20	12	Headquarters and a Unit in the Dallas, Texas area
Customer Service	4	12	Headquarters and a Unit in the Dallas, Texas area
Customer Care	4	4	Headquarters and a Unit in the Dallas, Texas area
Statistics, Accounting and Cash Management	6	4	Headquarters and a Unit in the Dallas, Texas area
Management, Scheduling and Inventory	6	18	Headquarters and a Unit in the Dallas, Texas area
Total	40	50	

* Minimum hours required. Additional training opportunities available upon request.

PACIUGO GELATO CAFFE' KIOSK TRAINING PROGRAM

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON-THE-JOB TRAINING	LOCATION
Paciugo Gelato Caffè Kiosk Basics	4	10	Headquarters and a Unit in the Dallas, Texas area
Customer Service	4	12	Headquarters and a Unit in the Dallas, Texas area
Customer Care	4	4	Headquarters and a Unit in the Dallas, Texas area
Statistics, Accounting and Cash Management	6	4	Headquarters and a Unit in the Dallas, Texas area
Management, Scheduling and Inventory	6	18	Headquarters and a Unit in the Dallas, Texas area
Total	24	48	

* Minimum hours required. Additional training opportunities available upon request.

Additional Training Programs

You and/or your manager also may attend optional additional or refresher training programs that we may offer, and must attend all mandatory additional or refresher training programs that we may offer. This training may be offered at our training facility in Dallas, Texas or at some other location in the United States we select. We will provide instructors, and training materials for these programs (if any), and we may charge a reasonable fee for tuition and materials for this training. You will be responsible for all expenses for travel, transportation, meals, lodging and wages/benefits you or your manager incur in attending these programs. (Section 3.4)

ITEM 12 TERRITORY

Franchise Agreement

In the Franchise Agreement, you will be granted the right to operate a Unit at a single location you select and we approve (subject to the site selection criteria) (the "Approved Location"). You must operate the Unit only at this Approved Location, and you may not relocate the Unit without our approval. Our approval for relocation is based on the same standards used to approve new Unit sites, as described in Item 11, subject to the rights of other franchisees and company-owned Units and affiliate-owned Units.

The Franchise Agreement requires you to sign a Lease Agreement for the Unit within 6 months after signing the Franchise Agreement, and then open the Unit and begin business within 6 months after you sign a Lease Agreement. If you are not able to either sign a Lease Agreement for the Unit within 6 months after signing the Franchise Agreement, or open the Unit and begin business at an approved location within 6 months after you sign a Lease Agreement, we may terminate the Franchise Agreement.

During the term of the Franchise Agreement, neither we nor any affiliate will establish or operate, or franchise any entity to establish or operate, a business using the Marks and System at any location within a certain geographic area surrounding the Approved Location, to be described in the Franchise Agreement ("Protected Territory"), with certain limited exceptions (including by use of the Internet, mail order catalog, telemarketing, etc.). The scope of the area will likely differ among franchisees, and will be determined by the nature of the facility in which the Unit is situated, population density, traffic volume, demographics and other factors considered in approving the new Unit site. Each franchisee will be granted a Protected Territory, but we have elected not to set a minimum size or scope that will apply to each Protected Territory.

Other than as described above, the franchise is non-exclusive, and we retain the right, for ourselves or through any affiliate, to: (a) to own, acquire, establish and/or operate, and license others to establish and operate, businesses using the Marks and System outside the Protected Territory (even if there may be some impact to your business within the Protected Territory); (b) to own, acquire, establish and/or operate, and license others to establish and operate, businesses under other proprietary marks or other systems, at any location within or outside the Protected Territory (even if these businesses are in competition with you); (c) to sell or distribute, at retail or wholesale or otherwise, directly or indirectly, or license others to sell or distribute, any products which bear any proprietary marks, including the Marks, outside the Protected Territory; (d) to sell products to wholesale customers, to own, acquire, establish and/or operate, and license others to establish and operate, businesses using any proprietary marks or systems (including the Marks and System) at any airport, train station, other transportation facility, arena, ballpark, stadium, racetrack, other sports facility, movie theater, auditorium, concert hall, theme park, amusement park, cruise ship, casino, or other entertainment facility, or within any grocery store or department store, within or outside the Protected Territory; and (e) to acquire, or be acquired by, any competing system, including a competing system that has one or more units within your Protected Territory. We will not provide any compensation to you on account of any orders solicited or accepted in your Protected Territory which fall within any of the rights we retain for ourselves and affiliates.

Continuation of the Protected Territory is not dependent upon your achievement of a certain sales volume, market penetration, or other contingency. The Franchise

Agreement does not provide you with any options, rights of first refusal or similar rights to acquire additional franchises within the Protected Territory or areas contiguous to the Protected Territory.

If you choose to offer catering services, you may offer and provide catering services under the System to customers at any locations other than locations contained within the Protected Territory of another Paciugo franchisee. All catering services must be conducted in accordance with, and all catered products must conform to, the System Standards.

ITEM 13 TRADEMARKS

The Franchise Agreement grants you the right to operate a Unit under the trade name "Paciugo" and to use the other Marks during the term of the Franchise Agreement, only in the manner we authorize, and only in connection with the Unit (or approved catering services). We may require or permit you to use other marks that we include as part of the System in the future, in our sole discretion.

Our affiliate, Paciugo Properties, owns the Marks and has registered the following Marks on the Principal Register of the United States Patent and Trademark Office for the relevant uses:

MARK	REGISTRATION NUMBER	REGISTRATION DATE
PACIUGO	2,916,871	January 11, 2005

At the appropriate times, Paciugo Properties intends to renew the registrations and to file all appropriate affidavits. There are currently no effective determinations of the United States Patent and Trademark Office, Trademark Trial and Appeal Board, the trademark administrator of any state or any court; no pending infringement, opposition or cancellation; and no pending material litigation involving the principal trademark. There are no infringing uses of the Marks actually known to us that could materially affect your use of the Marks.

We acquired from Paciugo Properties the right to use the trademarks, trade names, service marks, recipes and other intellectual property relating to the operation of the Units under a non-exclusive license agreement effective as of July 30, 2001, and amended as of January 1, 2005. Under this license agreement, we are expressly permitted to license the use of this intellectual property to our franchisees. The license agreement has an initial term that expires on December 31, 2020, but it automatically renews for successive periods of 5 years each unless either party gives notice of termination according to the license agreement. Otherwise, the license agreement may be terminated by Paciugo Properties for cause upon any affirmative act of insolvency (or similar events) or upon our uncured breach of the license agreement. There are no other agreements currently in effect which significantly limit our rights to use or license the use of the marks listed above in a manner material to the franchise.

You must follow our rules regarding use of the Marks. The Franchise Agreement requires that any display of the Marks give notice of Marks registration or claims by use of the symbols "®," "TM," and "SM" as required in the Manual. You must cooperate with us in maintaining registrations and prosecuting applications for the Marks, and in otherwise securing and preserving our rights in the Marks. Marks may be used only in connection with the Franchised Business, and may not be used in your corporate name or legal name. Marks may not be used in connection with any unauthorized product or service, or in any manner not expressly authorized by the Franchise Agreement. The Franchise Agreement requires that you notify us promptly in writing of (1) any adverse or infringing uses of the Marks (or names or symbols confusingly similar), our confidential information or other System intellectual property, and (2) any threatened or pending litigation relating to the Marks or System against (or naming as a party) you or us, of which you become aware. We will handle disputes with third parties concerning use of all or any part of the Marks or System in any manner we deem, in our sole discretion, appropriate. You must cooperate fully and in good faith with our efforts to resolve these disputes. We may bring suit in your name or join you as a party to the relevant proceedings. We may resolve the matter by obtaining a license of the property at no expense to you, or by requiring that you discontinue using the infringing property or modify your use to avoid infringing the rights of others. We need not initiate suit against imitators or infringers who do not, in our sole opinion, have a material adverse impact on the Franchised Business, and we need not initiate any other suit or proceeding to enforce or protect the Marks or System in a matter we do not believe, in our sole opinion, to be material.

Nevertheless, to the extent we deem necessary we will defend you against any third-party claim, suit, or demand arising out of your use of the Marks. If we determine that you have used the Marks in accordance with the Franchise Agreement and Manual, we will bear the cost of your defense, including the cost of any judgment or settlement. If we determine that you have not used the Marks in accordance with the Franchise Agreement or Manual, you will bear the cost of, and reimburse us for, your defense, including the cost of any judgment or settlement. If there is litigation relating to your use of the Marks, you must sign any documents and do any acts as may be necessary, in our opinion, to carry out this defense or prosecution, including becoming a nominal party to any legal action. Except to the extent that the litigation is the result of your use of the Marks in a manner inconsistent with the terms of the Franchise Agreement or Manual, we will reimburse you for your reasonable out-of-pocket litigation costs in cooperating with us with respect to the litigation.

We reserve the right to substitute different proprietary marks for use in identifying the System, the businesses operating under them, and/or the products or services offered, if the Marks no longer can be used, or if we determine that substitution of different proprietary marks will be beneficial to the System. In these circumstances, the terms of the Franchise Agreement will govern the use of the substituted proprietary marks, and we will not compensate you for this substitution. You must promptly implement any substitutions of this kind, at your expense.

Any use of the Marks not authorized by the Franchise Agreement provisions will be deemed an infringement. You will have no right to license others to use the Marks. Only the Franchise Agreement grants the right to use the Marks.

ITEM 14 PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

We do not own any right in or to any patents (or pending patent applications) or registered copyrights that are material to the Franchised Business. However, we (or our affiliates) do own all proprietary rights in and to the System, and we (or our affiliates) claim common law protection (including applicable copyright protection) of these rights including with regard to the Manual, training materials, recipes, menus, advertisements, paper goods, decor, trade dress, promotional items and merchandise.

There is no presently effective determination of the U.S. Copyright Office (Library of Congress) or any court affecting our copyrights. There is no currently effective agreement that limits our right to use and/or license our copyrights. We are not obligated by the Franchise Agreement, or otherwise, to protect any rights you have to use the copyrights. We have no actual knowledge of any infringements that could materially affect the ownership, use or licensing of the copyrights.

Confidential Information

You must not, during or after the term of the Franchise Agreement communicate, divulge, or use for the benefit of any other person, any non-public trade secrets, proprietary information, technical data, or know how which relate to our business, System, services or products, or to a Franchised Business, we may communicate to you, including the Manual, recipes (gelato recipes as well as those for any food or other items offered for sale at the Franchised Business), specialized preparation methods, quality-control systems, training materials, and information regarding salary, research, products, services, developments, inventions, processes, techniques, designs, marketing, finances, field operations, and computer hardware and software. Any information or techniques we designate as confidential must be treated by you as confidential. You may divulge confidential information only to those employees of yours who must have access to it in order to fulfill their employment obligations, or if disclosure is required to comply with an order of a court or arbitrator. You cannot, without our prior written consent, copy, duplicate, record or otherwise reproduce any confidential materials or information, in whole or in part, or otherwise make them available to any unauthorized person.

Your owners must sign and deliver to us the Owner Agreement in the form attached as an exhibit to the Franchise Agreement. At our request, any officers, managers, employees, agents or representatives of yours who may have access to any of our confidential information must sign covenants stating that they will maintain the confidentiality of the information they receive in connection with their employment. We may require that these covenants be in a form satisfactory to us, including specific identification of us as a third-party beneficiary of the covenants, with the independent right to enforce them.

If you or your owners or employees develop any new concept, process or improvement in the operation or promotion of your Unit, you must promptly notify us and give us all necessary information about the new process or improvement, without compensation. You and your owners agree that any of these concepts, processes or improvements will become our property, and we may use or disclose them to other franchisees, as we determine appropriate.

Manual

You must treat the Manual, any other manuals created for or approved for use in the operation of the Franchised Business, and the information contained in them as confidential, and use all reasonable efforts to maintain the information as secret and confidential. You may not at any time, without our prior written consent, copy, duplicate, record, or otherwise reproduce any part of these materials, nor otherwise make them available to any unauthorized person. The Manual will at all times remain our sole property. We may periodically revise the contents of the Manual, and you must comply with each new or changed standard. You must insure that your copy of the Manual is kept current, and if there is a dispute about the contents of the Manual, the terms of the master copy as maintained by us at our headquarters will be controlling.

ITEM 15 OBLIGATION TO PARTICIPATE IN THE ACTUALOPERATION OF THE FRANCHISE BUSINESS

You must designate a manager for the Unit. If you are an individual, you may designate yourself as the Unit's manager. During the term of the Franchise Agreement, your manager must devote adequate time, energy, attention, and best efforts to the management and operation of the Unit.

We do not otherwise require your direct, on-premises supervision, but we do recommend this kind of supervision. Your manager must attend and successfully complete our initial training program, as described in Item 11. If you are a legal entity, we do not require your manager to own any equity interest in you. We also may require your manager and other individuals to sign covenants of confidentiality and non-competition, as described in Items 14 and 17.

If you are an entity, your owners must sign and deliver to us the Owner Agreement in the form attached as an exhibit to the Franchise Agreement. The Owner Agreement is for the purpose of binding your owners to the same types of confidentiality and non-competition covenants as in the Franchise Agreement, and for the purpose of guaranteeing the performance of your obligations under the Franchise Agreement.

You will not permit or allow your owners, managers, employees or other representatives to engage in any conduct which is unlawful or damaging to the goodwill or public image of the System or the Marks.

ITEM 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must use the Unit premises solely for the operation of the Franchised Business, must keep the Unit open and in normal operation for the minimum hours and/or days as provided in the Manual or as we otherwise periodically specify in writing, and must refrain from using or permitting the use of the Unit premises for any other purpose or activity at any time without obtaining our prior written consent. However, for a kiosk Unit located within the premises of an existing business, we may relax these requirements if necessary to be compatible with the operation of the existing business in which your kiosk Unit is located.

You are restricted with respect to the products or services you may offer. To ensure that the highest degree of quality and service is maintained, you must operate the Unit in strict conformity with the methods, standards and specifications we require in the Manual or otherwise in writing, as periodically amended. You must maintain in sufficient supply, and use and sell at all times, only the food and beverage items, ingredients, products, materials and supplies that conform to our standards and specifications. You must offer for sale and sell at the Unit all menu items and other products and services which we require, and provide all products and services in the manner, style and name we require, unless you have our prior express written consent. You must prepare all menu items exactly in accordance with our recipes and procedures for preparation, decoration and serving contained in the Manual or other written directives, and refrain from deviating from our standards and specifications, such as by the use or offer of nonconforming items or differing amounts of any items, without our prior express written consent. You must sell and offer for sale only the menu items and other products and services that we expressly approve for sale in writing, and you must discontinue selling and offering for sale any menu items or other products or services which we, in our discretion, disapprove in writing at any time. You may suggest new recipes and products to us, but you cannot serve the new recipes and products to your customers unless we provide you with our written approval for their use, and standards and specifications with respect to their use. We have the exclusive right, in our sole discretion, to vary from the authorized menu in establishing the menu for any Unit.

We will provide you with suggested retail prices for your products and services. We also reserve the right to establish maximum, minimum or other pricing requirements for all products and services to ensure price consistency, if allowed under applicable federal and state law. If we do establish pricing requirements (if allowed by applicable law), you must offer and sell your products and services at prices that comply with our requirements.

You may not sell any products at wholesale or to any purchaser whom you know (or have reasonable grounds to suspect) intends to resell the products unless you receive our prior written consent to such sale. Any such sale must be conducted in accordance with our System Standards. Otherwise, you are not limited as to the customers to whom you may sell the products and services, except as described in Item 12 and this Item. We have the right to change the types of authorized goods and services, and there are no limits on our right to make these changes.

ITEM 17 RENEWAL, TERMINATION, TRANSFERAND DISPUTE RESOLUTION

This table lists certain important provisions of the Franchise Agreement. You should read these provisions in the agreement attached to this disclosure document.

THE FRANCHISE RELATIONSHIP		
PROVISION	**SECTION IN FRANCHISE AGREEMENT**	**SUMMARY**
a. Length of the franchise term	1.6	Franchise: 10 years, unless terminated earlier.
b. Renewal or extension of the term	1.7	Franchise: Up to 2 renewal terms of 5 years each, subject to certain conditions.
c. Requirements for you to renew or extend	1.7	Franchise: Timely written notice, renovation of Unit, payment of renewal fee, no default, sign current form franchise agreement, and others. The new agreement may have materially different terms than those contained in your original contract.
d. Termination by you	13.6	Franchise: If we default and fail to cure.
e. Termination by us without cause	Not Applicable	Franchise: No right to terminate without cause.
f. Termination by us with cause	13.1-13.3	Franchise: If you default, or certain events occur (such as your death or bankruptcy).

THE FRANCHISE RELATIONSHIP		
PROVISION	**SECTION IN FRANCHISE AGREEMENT**	**SUMMARY**
g. "Cause" defined – curable defaults	13.2-13.3	Franchise: 10 days to cure non-submission of reports or non-payment of fees, 30 days to cure many other types of default.
h. "Cause" defined – non-curable defaults	13.1	Franchise: Abandonment, material lease default, felony conviction, material misrepresentation, and others.
i. Your obligations on termination or non-renewal	14	Franchise: Payment of amounts owed, discontinue use of Marks and System, return Manuals, and others.
j. Assignment of contract by us	12.1	Franchise: No restrictions on our rights.
k. "Transfer" by you – definition	12.2	Franchise: Includes transfer of interest under Franchise Agreement, or in Unit, or in you (if an entity).
l. Our approval of transfer by you	12.2 and 12.3	Franchise: We have right to approve any transfer.
m. Conditions for our approval of transfer	12.3	Franchise: No default, payment of transfer fee, sign general release, sign new franchise agreement, and others.
n. Our right of first refusal to acquire your business	12.4	Franchise: If you desire to sell.
o. Our option to purchase your business	14.8	Franchise: Following expiration or termination.
p. Your death or disability	12.6	Franchise: Your interest must be transferred to an approved person within 6 months after your death or permanent disability.
q. Non-competition covenants during the term of the franchise	3.18	Franchise: Prohibitions on diverting business to competitors, involvement in any similar business, soliciting employees.

THE FRANCHISE RELATIONSHIP		
PROVISION	**SECTION IN FRANCHISE AGREEMENT**	**SUMMARY**
r. Non-competition covenants after the franchise is terminated or expires	14.7	Franchise: Prohibitions on diverting business to competitors, involvement in any competing business, soliciting employees.
s. Modification of the agreement	16.2	Franchise: We may modify the System and Manuals. No modification of agreements unless in writing and signed.
t. Integration/ merger clause	16.6	Franchise: Only terms of the agreement and this disclosure document are binding; any other representations or promises are not enforceable (subject to state law).
u. Dispute resolution by arbitration or mediation	15	Franchise: Except for certain claims, all claims must be submitted to mediation before initiating litigation. No arbitration of claims.
v. Choice of forum	15.2	Franchise: City where our principal place of business is located. Currently Dallas, Texas (subject to applicable state law).
w. Choice of law	15.2(c)	Franchise: Texas law applies (subject to applicable state law).

APPLICABLE STATE LAW MAY REQUIRE ADDITIONAL DISCLOSURES RELATED TO THE INFORMATION IN THIS DISCLOSURE DOCUMENT. THESE ADDITIONAL DISCLOSURES, IF ANY, APPEAR IN AN ADDENDUM. SEE EXHIBIT A.

ITEM 18 PUBLIC FIGURES

We do not use any public figure to promote our franchise.

ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the disclosure document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

Paciugo Franchising, LP does not make any financial performance representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. Paciugo Franchising, LP also does not authorize its employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Mr. Ugo Ginatta at 1215 Viceroy Drive, Dallas, Texas 75247 and 214-654-9501, extension 110, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20 OUTLETS AND FRANCHISEE INFORMATION

Information concerning franchised Units and company-owned Units during the past 3 fiscal years is described below. States not listed in any table had no relevant Units during the 3-year period.

Table No. 1

SYSTEMWIDE OUTLET SUMMARY FOR YEARS 2013 TO 2015

COLUMN 1 OUTLET TYPE	COLUMN 2 YEAR	COLUMN 3 OUTLETS AT THE START OF THE YEAR	COLUMN 4 OUTLETS AT THE END OF THE YEAR	COLUMN 5 NET CHANGE
Franchised	2013	34	35	+1
	2014	35	33	-2
	2015	33	28	-5
Company-Owned	2013	2	1	-1
	2014	1	5	+4
	2015	5	7	+2
Total Outlets	2013	36	36	0
	2014	36	38	+2
	2015	38	35	-3

The company-owned Units reflected in the table above were owned and/or operated by Authentic Gelato or Paciugo Supply.

Table No. 2 TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS (OTHER THAN THE FRANCHISOR) FOR YEARS 2013 TO 2015		
COLUMN 1 STATE	COLUMN 2 YEAR	COLUMN 3 NUMBER OF TRANSFERS
Kansas	2013	0
	2014	0
	2015	1
Texas	2013	0
	2014	1
	2015	1
Total	2013	0
	2014	1
	2015	2

Table No. 3 STATUS OF FRANCHISED OUTLETS FOR YEARS 2013 TO 2015								
COL. 1 STATE	COL. 2 YEAR	COL. 3 OUTLETS AT START OF YEAR	COL. 4 OUTLETS OPENED	COL. 5 TERMINATIONS	COL. 6 NON-RENEWALS	COL. 7 REACQUIRED BY FRANCHISOR	COL. 8 CEASED OPERATIONS OTHER REASONS	COL. 9 OUTLETS AT END OF THE YEAR
CA	2013	2	0	0	0	0	0	2
	2014	2	0	0	0	0	0	2
	2015	2	0	0	0	0	0	2
CO	2013	2	0	0	0	0	0	2
	2014	2	0	0	0	0	0	2
	2015	2	0	0	0	0	0	2

Table No. 3

STATUS OF FRANCHISED OUTLETS FOR YEARS 2013 TO 2015

COL. 1 STATE	COL. 2 YEAR	COL. 3 OUTLETS AT START OF YEAR	COL. 4 OUTLETS OPENED	COL. 5 TERMINATIONS	COL. 6 NON-RENEWALS	COL. 7 REACQUIRED BY FRANCHISOR	COL. 8 CEASED OPERATIONS OTHER REASONS	COL. 9 OUTLETS AT END OF THE YEAR
DE	2013	1	0	0	0	0	0	1
	2014	1	0	0	0	0	0	1
	2015	1	0	0	0	0	1	0
FL	2013	1	0	0	0	0	0	1
	2014	1	0	0	0	0	0	1
	2015	1	0	0	0	0	0	1
IL	2013	3	0	0	0	0	0	3
	2014	3	0	0	0	0	0	3
	2015	3	0	0	0	0	0	3
KS	2013	2	0	0	0	0	0	2
	2014	2	0	0	0	0	0	2
	2015	2	0	0	0	0	0	2
LA	2013	0	1	0	0	0	0	1
	2014	1	0	0	0	0	0	1
	2015	1	0	0	0	0	0	1
MN	2013	1	0	0	0	0	0	1
	2014	1	0	0	0	0	0	1
	2015	1	0	0	0	0	0	1
MT	2013	0	0	0	0	0	0	0
	2014	0	0	0	0	0	0	0
	2015	0	0	0	0	0	0	0
OH	2013	2	0	0	0	0	0	2
	2014	2	0	0	0	0	0	2
	2015	2	0	0	0	0	2	0
OK	2013	1	0	0	0	0	0	1
	2014	1	0	0	0	0	0	1
	2015	1	0	0	0	0	0	1
TX	2013	19	1	0	0	0	1	19
	2014	19	1	0	0	3	0	17
	2015	17	0	0	0	1	1	15
VA	2013	0	0	0	0	0	0	0
	2014	0	0	0	0	0	0	0
	2015	0	0	0	0	0	0	0
WI	2013	0	0	0	0	0	0	0
	2014	0	0	0	0	0	0	0
	2015	0	0	0	0	0	0	0

Table No. 3 STATUS OF FRANCHISED OUTLETS FOR YEARS 2013 TO 2015								
COL. 1 STATE	COL. 2 YEAR	COL. 3 OUTLETS AT START OF YEAR	COL. 4 OUTLETS OPENED	COL. 5 TERMINATIONS	COL. 6 NON-RENEWALS	COL. 7 REACQUIRED BY FRANCHISOR	COL. 8 CEASED OPERATIONS OTHER REASONS	COL. 9 OUTLETS AT END OF THE YEAR
Totals	2013	34	2	0	0	0	1	35
	2014	35	1	0	0	3	0	33
	2015	33	0	0	0	1	4	28

Table No. 4 STATUS OF COMPANY-OWNED OUTLETS FOR YEARS 2013 TO 2015							
COL. 1 STATE	COL. 2 YEAR	COL. 3 OUTLETS AT START OF THE YEAR	COL. 4 OUTLETS OPENED	COL. 5 OUTLETS REACQUIRED FROM FRANCHISEE	COL. 6 OUTLETS CLOSED	COL. 7 OUTLETS SOLD TO FRANCHISEE	COL 8 OUTLETS AT END OF THE YEAR
TX	2013	2	0	0	0	1	1
	2014	1	1	3	0	0	5
	2015	5	1	1	0	0	7
Totals	2013	2	0	0	0	1	1
	2014	1	1	3	0	0	5
	2015	5	1	1	0	0	7

The company-owned Units reflected in the table above were owned and/or operated by Authentic Gelato or Paciugo Supply.

Table No. 5 PROJECTED (UNIT) OPENINGS AS OF DECEMBER 31, 2015

COLUMN 1 STATE	COLUMN 2 FRANCHISE AGREEMENTS SIGNED BUT OUTLET NOT OPENED	COLUMN 3 PROJECTED NEW FRANCHISED OUTLETS IN THE NEXT FISCAL YEAR	COLUMN 4 PROJECTED NEW COMPANY-OWNED OUTLETS IN THE NET FISCAL YEAR
California	4	1	0
Colorado	0	0	0
Delaware	0	0	0
Florida	4	4	0
Georgia	0	0	0
Illinois	1	1	0
Massachusetts	0	0	0
Michigan	0	0	0
Louisiana	0	0	0
North Carolina	1	0	0
Nevada	1	0	0
New York	0	0	0
Oklahoma	0	0	0
Pennsylvania	0	0	0
South Carolina	1	0	0
Texas	6	3	1
Virginia	0	0	0
Washington	1	0	0
Total	19	9	1

The name and business address and telephone number of each of our current franchisees and developers is attached to this Disclosure Document as Exhibit H.

The name, city, state and current business telephone number (or if unknown, the last known home telephone number) of every franchisee and/or developer who had an agreement terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business during the most recently completed fiscal year or who has not communicated with us within 10 weeks of the issuance date of this Disclosure Document is listed on Exhibit H to this Disclosure Document.

If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

None of our Franchisees who left the System has signed a confidentiality agreement during the past 3 years. In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with Paciugo. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you.

Other than our franchisee advisory council described in Item 11 (which was created by us), to our knowledge there are no trademark-specific franchisee organizations associated with our franchise system.

ITEM 21 FINANCIAL STATEMENTS

Attached as *Exhibit F* to this disclosure document are our audited financial statements as of December 31, 2015, December 31, 2014 and December 31, 2013. Our fiscal year-end is December 31.

Our parent companies do not commit to perform any of our post-sale obligations, and they do not otherwise guarantee our obligations.

ITEM 22 CONTRACTS

The following sample contracts are included as exhibits to this disclosure document:

1. Paciugo Gelato Caffè Franchise Agreement and exhibits (*Exhibit C*)
2. Paciugo Gelato Caffè Kiosk Franchise Agreement and exhibits (Exhibit D)
3. Form of General Release *(Exhibit H)*

ITEM 23 RECEIPTS

Two copies of an acknowledgment of your receipt of this disclosure document are included as *Exhibit J*. Please complete both copies of the acknowledgment and return our copy to us. You should retain the other copy for your files.

EXHIBIT A TO FRANCHISE DISCLOSURE DOCUMENT

STATE ADDENDA

Following this page are addenda for the States of Arkansas, California, Hawaii, Illinois, Indiana, Iowa, Maryland, Michigan, Minnesota, Missouri, Nebraska, New Jersey, New York, North Dakota, Rhode Island, South Dakota, Washington, and Wisconsin. If you or your proposed Unit location is located in one of these states, please read the addendum for your state, and the addendum to the Franchise Agreement that may apply to your transaction with us.

ARKANSAS

The following provision supersedes any inconsistent provisions in the disclosure document and applies to all franchises offered and sold in the State of Arkansas:

1. Any provision of the Franchise Agreement that would require you, at the time you enter into the Agreement, to assent to a release, assignment, novation, waiver or estoppel which would relieve any person from liability imposed by the Arkansas Franchise Practices Act is void to the extent that the provision violates this law.

CALIFORNIA

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.

The following provisions supersede any inconsistent provisions in the disclosure document and apply to all franchises offered and sold in the State of California:

1. Neither we nor any person identified in Item 2 of this disclosure document are subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a, et seq., suspending or expelling these persons from membership in the association or exchange.

2. California Business and Professions Code Sections 20000 through 200043 provide rights to the franchisee concerning termination or non-renewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

3. The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. § 101, et seq.).

4. The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

5. The Franchise Agreement requires mediation and litigation in the city where we then have our principal place of business (currently Dallas, Texas), with the costs being borne by the non-prevailing party. Prospective franchisees and developers are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

6. The Franchise Agreement requires application of the laws of the State of Texas. This provision may not be enforceable under California law.

7. Any condition, stipulation or provision in the Franchise Agreement which would result in your waiver of compliance with any provision of California Franchise Relations Act is void to the extent that the provision violates this law.

8. To the extent that Sections 15.2 and 15.5 of the Franchise Agreement would otherwise violate California law, these sections are amended by providing that all litigation by or between you and us, involving a franchised business operating in the State of California, which arises directly or indirectly from the Franchise Agreement will be commenced and maintained in the state courts of California or the United States District Court for California, with the specific venue in either court system determined by appropriate jurisdiction and venue requirements.

9. The Franchise Agreement requires a franchise to sign a general release of claims upon renewal or transfer of the Franchise Agreement. California Corporation Code Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order thereunder is void. Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Section 31000 – 31516). Business and Professions Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 – 20043).

10. California Corporations Code, Section 31125 requires the franchisor to give the franchisee a disclosure document, approved by the Department of Business Oversight prior to a solicitation of a proposed material modification of an existing franchise.

11. The Franchise Agreement contains a liquidated damages clause. Under Civil Code, Section 1671 certain liquidated damage clauses are unenforceable.

12. The URL address of our web site is www.paciugo.com. OUR WEB SITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEB SITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT AT www.corp.ca.gov.

HAWAII

THESE FRANCHISES WILL BE/HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, OR SUBFRANCHISOR, AT LEAST SEVEN (7) DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN (7) DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

THIS DISCLOSURE DOCUMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.

A. As of the date of this disclosure document, we have not registered or filed an disclosure document in any state, except as shown on *Exhibit A.*

1. Unless exempt, the registration or filing of this disclosure document is pending in the States shown on *Exhibit A* to this disclosure document.

2. No states have refused, by order or otherwise, to register these franchises.

3. No states have revoked or suspended the right to offer these franchises.

4. The proposed registration of these franchises has not been withdrawn in any state.

B. Any provision of the Franchise Agreement that would require you, at the time you enter into the Agreement, to assent to a release, assignment, novation, or waiver which would relieve any person from liability imposed by Hawaii Franchise Investment Law is void to the extent that the provision violates this law.

ILLINOIS

The following provisions supersede any inconsistent provisions in the disclosure document and apply to all franchises offered and sold in the State of Illinois:

1. The fourth paragraph of the receipt as *Exhibit J* is amended to read as follows:

IF WE DO NOT DELIVER THIS DISCLOSURE DOCUMENT ON TIME OR IF IT CONTAINS A FALSE OR MISLEADING STATEMENT, OR A MATERIAL OMISSION, A VIOLATION OF FEDERAL LAW AND STATE

LAW MAY HAVE OCCURRED AND SHOULD BE REPORTED TO THE FEDERAL TRADE COMMISSION, WASHINGTON, D.C. 20580 AND THE ILLINOIS ATTORNEY GENERAL OFFICE, 500 SOUTH SECOND STREET, SPRINGFIELD, ILLINOIS 62706.

2. Parts 2 and 3 of the second paragraph of the receipt as *Exhibit J* are amended to read as follows

(2) 14 DAYS BEFORE THE SIGNING OF A BINDING AGREEMENT; OR

(3) 14 DAYS BEFORE PAYMENT TO US.

3. Item 17 of the disclosure document is amended by adding the following at the beginning of that Item:

NOTICE REQUIRED BY LAW

THE CONDITIONS UNDER WHICH YOUR FRANCHISE CAN BE TERMINATED AND YOUR RIGHTS UPON NON-RENEWAL MAY BE AFFECTED BY ILLINOIS LAW, 815 ILCS 705/19 AND 20.

4. To the extent that Sections 15.2 and 15.5 of the Franchise Agreement would otherwise violate Illinois law, these sections are amended by providing that all litigation by or between you and us, arising directly or indirectly from the Franchise relationship, will be commenced and maintained in the state courts of Illinois or, at our election, the United States District Court for Illinois, with the specific venue in either court system determined by appropriate jurisdiction and venue requirements.

5. The Illinois Franchise Disclosure Act, as amended, applies to this transaction and supersedes any conflicting provisions of the Franchise Agreement or Texas law.

6. Any provision in the Franchise Agreement that would require you to waive any right granted by the Illinois Franchise Disclosure Act is void to the extent that the provision violates this law.

INDIANA

The following provisions supersede any inconsistent provisions in the disclosure document, and apply to all franchises offered and sold in the State of Indiana:

1. The laws of the State of Indiana supersede any provisions of the disclosure document, the Franchise Agreement or Texas law, if these provisions are in conflict with Indiana law.

2. The prohibition by Indiana Code 23-2-2.7-1(7) against unilateral termination of the franchise without good cause or in bad faith, good cause being defined therein as including any material breach of the Franchise Agreement, will supersede the provisions of Section 13 of the Franchise Agreement to the extent Section 13 may be inconsistent with this prohibition.

3. Any provision in the Franchise Agreement which would require you to prospectively assent to a release, assignment, novation, waiver or estoppel which purports to relieve any person from liability imposed by the Indiana Deceptive Franchise Practices Law is void to the extent that the provision violates this law.

4. The following provision will be added to the Franchise Agreement as Section 15.7:

> **15.7 No Limitation on Litigation**. Notwithstanding the foregoing provisions of this Section 15, any provision in the Franchise Agreement which limits in any manner whatsoever litigation brought for breach of the Agreement will be void to the extent that any contractual provision violates the Indiana Deceptive Franchise Practices Law.

IOWA

The following provision supersedes any inconsistent provisions in the disclosure document and applies to all franchises offered and sold in the State of Iowa:

1. Any provision in the Franchise Agreement which would result in your waiver of any rights under Iowa Business Opportunity Promotions Law prior to or at the time of your execution of the Franchise Agreement is void to the extent that the provision violates this law.

MARYLAND

The following provisions supersede any inconsistent provisions in the disclosure document, and apply to all franchises offered and sold in the State of Maryland:

1. Any provision in the Franchise Agreement which terminates the franchise upon the bankruptcy of the franchisee may not be enforceable under federal bankruptcy law.

2. Any provision in the Franchise Agreement that would require you, as part of the Franchise Agreement or as a condition of the sale or assignment of the franchise, to assent to a release which would relieve any person from liability imposed under the provisions of the Maryland Franchise Law is void to the extent that the provision violates this law.

3. Any provision in the Franchise Agreement which operates to waive your right to file a lawsuit alleging a cause of action arising under the Maryland Franchise Law in any court of competent jurisdiction in the State of Maryland is void to the extent that the provision violates this law.

MINNESOTA

The following provisions supersede any inconsistent provisions in the disclosure document and apply to all franchises offered and sold in the State of Minnesota:

1. Any provision in the Franchise Agreement which would require you to assent to a release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statutes sections 80C.01 to 80C.22 will be void to the extent that the contractual provision violates this law.

2. Minnesota Statute §80C.21 and Minnesota Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the disclosure document or agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction. Any provision in the Franchise Agreement which would require you to waive your rights to any procedure, forum or remedies provided for by the laws of the State of Minnesota is deleted from any Franchise Agreement relating to franchises offered and sold in the State of Minnesota; provided, however, that this paragraph will not affect the obligation in the Franchise Agreement relating to exclusive mediation.

3. The following language will appear as Section 15.7 of any Franchise Agreement issued in the State of Minnesota.

> **15.7** **No Abrogation**. Pursuant to Minnesota Statutes, Section 80C.21, the provisions contained in this Agreement, including this Section 15, will not in any way abrogate or reduce any of your rights as provided for in the Minnesota Statutes, Chapter 80C.

4. Item 17 of this disclosure document is amended by the addition of the following language:

> With respect to franchises governed by Minnesota law, we will comply with Minnesota Statute Section 80C.14, Subds. 3, 4, and 5 which require, except in certain specified cases, that you be given 90 days notice of termination (with 60 days to cure).

5. Item 13 of this disclosure document is amended by the addition of the following language:

We will protect your rights under the Franchise Agreement to use the Marks, or indemnify you from any loss, costs or expenses arising out of any third-party claim, suit or demand regarding your use of the Marks, if your use of the Marks is in compliance with the provisions of the Franchise Agreement and our System Standards.

MISSOURI

The following provision supersedes any inconsistent provisions in the disclosure document, and applies to all franchises offered and sold in the State of Missouri:

1. Termination provisions contained in the Franchise Agreement will afford you 90 days written notice in advance of any termination, except that 90 days notice is not required for termination as a result of your criminal misconduct, fraud, abandonment, bankruptcy, insolvency, or giving a "no account" or "insufficient funds" check to us.

NEBRASKA

The following provisions supersede any inconsistent provisions in the disclosure document and apply to all franchises offered and sold in the State of Nebraska:

1. No release language set forth in the Franchise Agreement will relieve us or any other person, directly or indirectly, from liability imposed by the laws concerning franchising of the State of Nebraska.

2. No language set forth in the Franchise Agreement will operate to restrict the sale of any equity or debenture issue or the transfer of any securities of any franchisee or in any way prevent or attempt to prevent the transfer, sale or issuance of shares of stock or debentures to employees, personnel of the franchisee, or heirs of the principal owner, so long as basic financial requirements of the Franchisor are complied with and any sale, transfer or issuance does not have the effect of accomplishing a sale of the franchise.

NEW JERSEY

The following provisions supersede any inconsistent provisions in the disclosure document and apply to all franchises offered and sold in the State of New Jersey:

1. No release language set forth in the Franchise Agreement will relieve us or any other person, directly or indirectly, from liability imposed by the laws concerning franchising of the State of New Jersey.

2. No language set forth in the Franchise Agreement will operate to restrict the sale of any equity or debenture issue or the transfer of any securities of a franchise or in any way prevent or attempt to prevent the transfer, sale or issuance of shares of stock or debentures to employees, personnel of the franchisee, or heirs of the principal owner, so long as basic financial requirements of the Franchisor are complied with, and provided that any sale, transfer or issuance does not have the effect of accomplishing a sale of the franchise.

3. Any term or condition which may directly or indirectly violate the New Jersey Franchise Practices Act is deleted from the disclosure document and the Franchise Agreement.

NEW YORK

THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THIS DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS DISCLOSURE DOCUMENT.

The following provision supersedes any inconsistent provisions in the disclosure document and applies to all franchises offered and sold in the State of New York:

1. No release language set forth in the Franchise Agreement will relieve us or any other person, directly or indirectly, from liability imposed by the laws concerning franchising of the State of New York.

2. Item 3 of the disclosure document is amended by adding the following language at the end of that item:

> Neither we nor any person identified in Item 2 of the disclosure document: (a) have an administrative, criminal or civil action pending against that person alleging a felony, a violation of a franchise, anti-trust or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices or comparable civil or misdemeanor allegations; (b) has any other action pending against that person, other than routine litigation incidental to the business, which is significant in the context of the number of franchisees or franchisees and the size, nature or financial condition of the franchise or franchise system or its business operations; (c) has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the ten year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging violation of a franchise, anti-fraud or securities law, fraud, embezzlement, fraudulent conversion or misappropriation of property, or unfair or deceptive practices or comparable allegations; (d) is subject to a currently

effective injunctive or restrictive order or decree relating to the franchise or franchisee, or under a federal, State or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; (e) is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or (f) is subject to a currently effective injunction or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as to a real estate broker or sales agent.

3. Item 4 of the disclosure document is amended by substitution of the following for the last paragraph of that item:

Neither we, our affiliates, nor our officers, during the ten year period immediately before the date of the disclosure document: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the Bankruptcy Code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within one year after any of our officers held this position in the company or partnership.

4. Item 5 of the disclosure document is amended by adding the following language at the end of that item:

Proceeds from initial franchise fees are added to working capital and are, in part, used to pay or defray some of the following expenses and costs incurred by us: (a) screening and approving prospective Franchisees; (b) employees' salaries, fringe benefits and expenses with respect to the preparation and registration of the franchise offering; (c) prior research and development relating to the standards, procedures and techniques for the System; (d) providing you with initial training; (e) providing you with initial and continuing consultation; (f) legal fees, accounting fees and other fees incurred in connection with compliance with federal, state and other laws with respect to this franchise offering; and (g) administrative expenses.

5. Item 12 of the disclosure document is amended by adding the following at the end of that item:

It is not possible to describe the Franchisee's Protected Territory in quantifiable terms, such as population or a radius of miles. The size of the Protected Territory granted will depend upon our evaluation of the geographic scope of each prospective Franchisee's reasonable market area. The territory may range in size from part of a zip code region or city limits to a multi-county area.

NORTH DAKOTA

The following provisions supersede any inconsistent provisions in the disclosure document and apply to all franchises offered and sold in the State of North Dakota:

1. Covenants not to compete upon termination or expiration of the Franchise Agreement are subject to Section 9-08-06, N.D.C.C., and may be generally unenforceable in the State of North Dakota.

2. Item 17(u) and (v) are hereby amended to state that in the event that either party will make a demand for mediation, such mediation will be conducted in a mutually agreed upon site.

3. To the extent that Sections 15.2 and 15.5 of the Franchise Agreement would otherwise violate North Dakota law, these sections are amended by providing that all litigation by or between you and us, involving a franchised business operating in the State of North Dakota, will be commenced and maintained, at our election, in the state courts of North Dakota or the United States District Court for North Dakota, with the specific venue in either court system determined by appropriate jurisdiction and venue requirements.

4. North Dakota law applies to this transaction and supersedes any conflicting provisions of the Franchise Agreement or Texas law.

5. The Franchise Agreement requires the franchisee to consent to a waiver of trial by jury. The jury trial waiver provision is deemed deleted and shall not in any way abrogate or reduce any rights of the franchisee/developer as provided for in the North Dakota Franchise Investment Law, including the right to a trial by jury and the right to submit matters to the jurisdiction of the Courts of North Dakota.

6. The Franchise Agreement includes a waiver of exemplary and punitive damages. That requirement will not apply to North Dakota franchisees/developers and is deemed deleted in each place it appears in the Disclosure Document, Franchise Agreement.

7. The Franchise Agreement requires the franchisee to consent to a limitation of claims within one year. That requirement will not apply to North Dakota franchisees/developers and is deemed amended to allow claims to be brought within the applicable statute of limitations under North Dakota law.

RHODE ISLAND

The following provision supersedes the disclosure document and applies to all franchises offered and sold in the State of Rhode Island:

1. To the extent that Sections 15.2 and 15.5 of the Franchise Agreement would otherwise violate Rhode Island law, these sections are amended by providing that all litigation by or between you and us, involving a Franchised Business operating in the State of Rhode Island, will be commenced and maintained, at our election, in the state courts of Rhode Island or the United States District Court for Rhode Island, with the specific venue in either court system determined by appropriate jurisdiction and venue requirements.

SOUTH DAKOTA

The following provisions supersede any inconsistent provisions in the disclosure document and apply to all franchises offered and sold in the State of South Dakota.

1. Covenants not to compete upon termination or expiration of the Franchise Agreement are generally unenforceable in the State of South Dakota, except in certain instances as provided by law.

2. Franchise registration, employment, covenants to compete, and other matters of local concern will be governed by the laws of the State of South Dakota; but as to contractual and all other matters, this Agreement and all provisions of this instrument will be and remain subject to the application, construction, enforcement, and interpretation under the governing law of the State of Texas.

3. To the extent that Sections 15.2 and 15.5 of the Franchise Agreement would otherwise violate South Dakota law, these sections are amended by providing that all litigation by or between you and us, involving a Franchised Business operating in the State of South Dakota, will be commenced and maintained, at our election, in the state courts of South Dakota or the United States District Court for South Dakota, with the specific venue in either court system determined by appropriate jurisdiction and venue requirements.

4. Termination provisions covering breach of the Franchise Agreement, failure to meet performance and quality standards, and failure to make royalty payments contained in the disclosure document, and Franchise Agreement will afford you thirty (30) days written notice with an opportunity to cure the default before termination.

WASHINGTON

The following provisions supersede any inconsistent provisions in the disclosure document and apply to all franchises offered and sold in the State of Washington:

1. Any provision in the Franchise Agreement which would require you to assent to a release, assignment, novation, or waiver which would relieve any person from liability imposed by the Washington Franchise Investment Protection Act will be void to the extent that the provision violates this Act.

2. If any of the provisions in this disclosure document or Franchise Agreement are inconsistent with the relationship provisions of RCW 19.100.180 or other requirements of the Washington Franchise Investment Protection Act, the provisions of the Act will prevail over the inconsistent provisions of the disclosure document and Franchise Agreement, as applicable, with regard to any franchise sold in the State of Washington.

WISCONSIN

The following provision supersedes any inconsistent provision in the disclosure document and applies to all franchises offered and sold in the State of Wisconsin:

1. The Wisconsin Fair Dealership Law, Chapter 135, Stats., supersedes any provisions of this disclosure document and the Franchise Agreement that are inconsistent with that law.

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EXHIBIT B TO FRANCHISE DISCLOSURE DOCUMENT

LIST OF ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

1. State Franchise Administrators

We intend to register this disclosure document in some or all of the following states, in accordance with the applicable state law. The following are the state administrators responsible for the review, registration, and oversight of registrations in that state:

CALIFORNIA Commissioner of Business Oversight Department of Business Oversight 71 Stevenson Street, Suite 2100 San Francisco, California 94105 (415) 972-8559	MARYLAND Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202-2020 (410) 576-6360
HAWAII Commissioner of Securities Department of Commerce and Consumer Affairs 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722	MICHIGAN Consumer Protection Division Franchise Section Attn: Marilyn McEwen 670 Law Building Lansing, Michigan 48913 (517) 373-7117
ILLINOIS Illinois Attorney General Franchise Bureau 500 South Second Street Springfield, Illinois 62706 (217) 782-4465	MINNESOTA Commissioner of Commerce Department of Commerce 85 7th Place East, Suite 500 St. Paul, Minnesota 55101 (612) 296-6328
INDIANA Indiana Secretary of State Franchise Section 302 West Washington, Room E-111 Indianapolis, Indiana 46204 (317) 232-6681	NEW YORK Bureau of Investor Protection and Securities New York State Department of Law 23rd Floor 120 Broadway New York, New York 10271 (212) 416-8211
NORTH DAKOTA Securities Commissioner State Capitol 600 East Boulevard Avenue Bismarck, North Dakota 58505 (701) 224-4712	VIRGINIA Securities and Retail Franchising Division State Corporation Commission 1300 East Main Street Richmond, Virginia 23219 (804) 371-9051

RHODE ISLAND Department of Business Regulation John O. Pastore Complex, Bldg 69-1 1511 Pontiac Avenue Cranston, Rhode Island 02920 (401) 277-3048	WASHINGTON Department of Financial Institutions General Administration Building Securities Division - 3rd Floor West 210 - 11th Street SW Olympia, Washington 98504 (360) 902-8760
SOUTH DAKOTA Director of Division of Securities 445 East Capitol Avenue Pierre, South Dakota 57501-3185 (605) 773-4823	WISCONSIN Office of the Commissioner of Securities Fourth Floor 101 East Wilson Street Madison, Wisconsin 53702 (608) 266-8559

2. Agents For Service Of Process

We intend to register this disclosure document as a "franchise" in some or all of the following states, in accordance with the applicable state law. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, we will designate the following state offices or officials as our agents for service of process in those states:

CALIFORNIA Commissioner of Business Oversight Department of Business Oversight 71 Stevenson Street, Suite 2100 San Francisco, California 94105 (415) 972-8559	MARYLAND Maryland Securities Commissioner 200 St. Paul Place Baltimore, Maryland 21202-2020 (410) 576-6360
HAWAII Commissioner of Securities Department of Commerce and Consumer Affairs 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722	MICHIGAN Consumer Protection Division Franchise Section 670 Law Building Lansing, Michigan 48913 (517) 373-7117
ILLINOIS Illinois Attorney General Franchise Bureau 500 South Second Street Springfield, Illinois 62706 (217) 782-4465	MINNESOTA Commissioner of Commerce Department of Commerce 85 7th Place East, Suite 500 St. Paul, Minnesota 55101 (612) 296-6328

INDIANA Indiana Secretary of State Franchise Section 302 West Washington, Room E-111 Indianapolis, Indiana 46204 (317) 232-6681	NEW YORK New York Secretary of State 162 Washington Street Albany, New York 11231 (212) 417-5800
NORTH DAKOTA Securities Commissioner 600 East Boulevard Avenue State Capitol Bismarck, North Dakota 58505 (701) 224-4712	VIRGINIA Clerk of State Corporation Commission 1300 East Main Street Richmond, Virginia 23219 (804) 371-9051
RHODE ISLAND Director of Department of Business Regulation John O. Pastore Complex, Bldg 69-1 1511 Pontiac Avenue Cranston, Rhode Island 02920 (401) 277-3048	WASHINGTON Department of Financial Institutions Securities Division 150 Israel Rd SW Tumwater, Washington 98501 (360) 902-8760
SOUTH DAKOTA Director of Division of Securities 445 East Capitol Avenue Pierre, South Dakota 57501-3185 (605) 773-4823	WISCONSIN Commissioner of Securities Fourth Floor 101 East Wilson Street Madison, Wisconsin 53702 (608) 266-8559

EXHIBIT C TO FRANCHISE DISCLOSURE DOCUMENT

PACIUGO GELATO CAFFÈ FRANCHISE AGREEMENT

PACIUGO FRANCHISING LP

PACIUGO GELATO CAFFÈ FRANCHISE AGREEMENT

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PACIUGO FRANCHISING LP

FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT ("Agreement"), dated and effective as of the Effective Date specified on the signature page of this Agreement (the "Effective Date") is between PACIUGO FRANCHISING LP, a Texas limited partnership ("we" or "us"), as franchisor, and the person or entity identified on the signature page of this Agreement, as franchisee ("you"). *Exhibit E* to this Agreement is an Index of Defined Terms, which shows the sections in this Agreement where each relevant term is defined. In consideration of the following mutual promises, the parties agree as follows:

SECTION 1: GRANT

1.1 Grant of Franchise. By virtue of a license from Paciugo Properties LLP, we have the right to use and to license to our franchisees a proprietary and distinctive system relating to the establishment and operation of outlets engaged in the retail sale of gelato, and other food items, beverage items, and other products, and in gelato catering services (the "System"). The System includes, but is not limited to, the items described in Section 6.1 of this Agreement. We also have the right to use and to license to our franchisees certain service marks, trademarks, trade names, trade dress, logos, slogans and commercial symbols used to identify the outlets or particular products and services offered (collectively, the "Marks"). Subject to all of the terms and conditions of this Agreement, we grant to you and you accept the franchise and license (the "Franchise") to use the Marks and the System in the establishment and operation of a Paciugo gelato shop ("Unit" or "Franchised Business"), beginning on the Effective Date and ending on the expiration or termination of this Agreement.

1.2 Trade Name. You will operate the Franchised Business under the trade name "Paciugo," or other trade name that we expressly authorize in writing. You will not adopt alternative, additional or secondary trade names unless you have our prior express written consent.

1.3 Approved Location.

(a) **Approved Location.** The Franchise granted by this Agreement is limited to a single Unit at the specific location ("Approved Location") set forth on *Exhibit A*, and for the type of Unit set forth on *Exhibit A*. The Unit must be located at the Approved Location. If a particular site has not been selected and approved at the time of execution of this Agreement, *Exhibit A* may describe the Approved Location in general terms. In that case, after we have approved a location for your Unit, the specific address of that location will automatically become the Approved Location as if originally set forth in *Exhibit A* instead of the general description. Other than in connection with approved catering operations pursuant to the System, you have no rights under this Agreement to use, and you will not use, the System or Marks at any other location, without our prior express written consent. You will not relocate the Unit without our prior express written consent.

(b) **Opening Deadline.** If you are not able to sign a Lease Agreement for the Unit within 6 months after you sign this Agreement, or you are not able to open the Unit and begin business at an approved location within 6 months after you sign a Lease Agreement for the Unit, then we may, at our option, terminate this Agreement upon written notice to you.

(c) **One Location; Relocation.** Other than in connection with approved catering operations, which must be performed pursuant to, and in accordance with, the System Standards, you have no rights under this Agreement to use, and you will not use, the System or Marks at any other location, without our prior express written consent. You will not relocate the Unit without our prior express written consent.

1.4 <u>Territory</u>.

(a) **Protected Territory.** During the term of this Agreement, neither we nor any of our affiliates will establish or operate, or franchise any entity to establish or operate, a Unit using the Marks and System at any location within the market area ("Protected Territory") set forth on *Exhibit A,* subject to certain exceptions below. If a particular site has not been selected and approved at the time of execution of this Agreement, *Exhibit A* will describe the Protected Territory in general terms. In that case, we may unilaterally substitute a more detailed description of the relevant market area after we have approved a location for your Unit, and, if we do, the detailed description will automatically become the Protected Territory as if originally set forth in *Exhibit A* in place of the general description. You acknowledge and agree that the Franchise is nonexclusive. Other than the limited rights expressly granted to you under this Agreement in the Protected Territory, we (on behalf of our affiliates and us) reserve all rights to use the Marks and System, including the following rights, in any manner and on any terms and conditions we deem advisable, and without granting you any rights, accommodation or compensation:

(1) to own, acquire, establish and/or operate, and license others to establish and operate, businesses using the Marks and System outside the Protected Territory (even if there may be some impact to your business within the Protected Territory);

(2) to own, acquire, establish and/or operate, and license others to establish and operate, businesses under other proprietary marks or other systems, at any location within or outside the Protected Territory (even if these businesses are in competition with you);

(3) to sell or distribute, at retail or wholesale or otherwise, directly or indirectly, or license others to sell or distribute, any products which bear any proprietary marks, including the Marks, outside the Protected Territory;

(4) to sell products to wholesale customers, to own, acquire, establish and/or operate, and license others to establish and operate, businesses using any proprietary marks or systems (including the Marks and System) at any airport, train station, other transportation facility, arena, ballpark, stadium, racetrack, other sports facility, movie theater, auditorium, concert hall, theme park, amusement park, cruise ship, casino, or other entertainment facility, or within any grocery store or department store, within or outside the Protected Territory; and

(5) to acquire, or be acquired by, any competing system, including a competing system that has one or more units within your Protected Territory.

(b) **Catering.** If you choose to offer catering services, you may offer and provide catering services under the System to customers at any locations other than locations contained within the Protected Territory of another Paciugo franchisee (unless authorized by us in advance and in writing). All catering services must be conducted in accordance with, and all catered products must conform to, the System Standards.

1.5 <u>Franchised Business and System Standards</u>. The Franchise granted by this Agreement is limited to the operation of a Unit in strict accordance with the provisions of this Agreement and the standards we specify in writing, as they may be periodically amended, modified, supplemented or deleted, which we impose on our franchisees in connection with participation in the System, including all mandatory and suggested specifications, policies, rules, designs, layouts, advertising and marketing requirements (including social media requirements), techniques and procedures we promulgate about System operation or usage (collectively, the "System Standards"). You have no rights under this Agreement to use, and you will not use, the System, Marks or Unit premises in connection with any other business, activities, or unapproved products or services. You acknowledge and agree that, because absolute uniformity is not possible, we have the right to vary standards for any franchisee based on particular circumstances without granting any other franchisee similar variances. The Franchise granted by this Agreement is limited to the selling of the approved products and services at retail. You have no rights under this Agreement to sell, and you will not sell, any products at wholesale or to any purchaser whom you know (or have reasonable grounds to suspect) intends to resell the products unless you receive our prior written consent to such sale. Any such sale must be conducted in accordance with our System Standards.

1.6 <u>Initial Term</u>. The initial term of this Agreement begins on the Effective Date and will continue for a term of 10 years, unless terminated sooner by either party. You have no rights under this Agreement to use, and you will not use, the System or Marks after expiration or termination of this Agreement. Some of your duties and obligations under this Agreement will survive after expiration or termination of this Agreement.

1.7 <u>Renewal Option</u>. You have the option to renew the Franchise for up to 2 additional terms of 5 years each, if you satisfy each of the following conditions:

(a) At least 6 months (but no more than 9 months) before the end of the initial term or the first renewal term, as the case may be, you must give us written notice of your desire to renew, and you must pay us a renewal fee equal to the greater of $15,000 or 50% of our then-current standard initial franchise fee.

(b) At least 2 months (but no more than 6 months) before the end of the initial term or the first renewal term, as the case may be, you must upgrade your Unit to make it consistent with the then-current System Standards for new Units.

(c) At the time that you give us your renewal notice and at the end of the initial term or the first renewal term, as the case may be, you must not be in default of any provision of this Agreement or any other agreement you have with us or any of our affiliates, and you must have substantially complied with all the provisions of this Agreement and any other relevant agreements during their respective terms.

(d) At least 1 month before the end of the initial term or the first renewal term, as the case may be, you must sign the then-current version of our franchise agreement, which will completely supersede this Agreement. The provisions of that agreement may be significantly different from the provisions of this Agreement, and they might not be as favorable to you; however, you will not be required to pay the then-current initial franchise fee, the initial term of the renewal agreement will be for 5 years, and there will not be any additional options to renew the Franchise (other than the 2 option periods originally granted by this Agreement).

(e) At the end of the initial term or the first renewal term, as the case may be, you (and your Manager, if we require) must satisfy our then-current qualification and training requirements.

(f) At least 1 month before the end of the initial term or the first renewal term, as the case may be, you (and your owners, if we require) must sign and deliver to us a general release in a form we provide of all claims you may have against us and any of our affiliates (and their respective officers, directors, partners, owners, agents, and employees).

1.8 Owner Agreement. To induce us to enter into this Agreement, you must have each of your owners sign and deliver to us the Owner Agreement in the form attached as *Exhibit C* ("Owner Agreement"), if you are an entity.

SECTION 2: LOCATION AND LEASE

2.1 Site Selection. You are responsible for locating and leasing a suitable site for the Unit. Before leasing or purchasing space for your Unit, you must: submit to us a written description of the proposed site for our approval; provide to us other information regarding the proposed site according to the System Standards or as we reasonably request; and verify to us in writing that the proposed site meets our site selection criteria. We will then approve or disapprove the proposed site. If we disapprove the proposed site, you must select an alternate site and repeat the site approval process until we approve a proposed site for your Unit. You acknowledge and agree that our approval of a site does not constitute a representation or warranty that the proposed site will be a profitable location for your Unit.

2.2 Sites in Shopping Malls and Regional Shopping Centers. If the proposed location for your Unit is in a shopping mall or regional shopping center, we will direct the search process, assist you in evaluating the location, and assist you in the negotiation of basic business terms with the landlord or management company. For these services, you will pay us a Real Estate Fee of $7,500 when you sign the lease. We will not provide any legal advice to you, and we strongly suggest that you retain your own real estate lawyer familiar with commercial real estate transactions who will review the terms of the lease on your behalf. You acknowledge and agree that (a) our assistance with your search process and evaluation of potential sites is limited to identifying sites that meet our minimum site selection guidelines, (b) you will make the final decision about where to locate your Unit based on your own evaluation of potential sites, and (c) our assistance and acceptance of a site you choose does not constitute a representation or warranty that the proposed site will be a profitable location for your Unit.

2.3 Lease Provisions. If you will be leasing the approved site, we require that certain provisions be included in your written lease agreement for our protection. Unless we agree otherwise in writing, your lease agreement must be signed by the same person(s) or entity(ies) that sign this Agreement. You must provide us with a copy of your proposed lease agreement for approval before you sign it. You will not sign the proposed lease agreement until after you have our express written approval. All leases relating to the Unit's premises must contain the following provisions in contractual language acceptable to us:

(a) The use of the leased premises will be restricted solely to the operation of a Unit.

(b) The landlord, upon termination or expiration of the lease, consents to your removal (at your own expense) of the exterior and interior signs and trade fixtures, so long as you make repairs caused by the removal of these items.

(c) The landlord agrees to provide to us (at the same time they are sent to you) a copy of all lease amendments and assignments, and a copy of all letters and notices sent to you relating to your lease or the leased premises.

(d) We will have the right and option, but not the obligation, to enter the leased premises upon notice to you and the landlord to make any modifications or alterations, at your cost, which are necessary (in our opinion) to protect the System and the Marks and to cure, within the time periods provided by the lease, any default under the lease, all without being guilty of trespass or other tort.

(e) You may assign the lease to us (or our designee) with the landlord's consent (which consent will not be unreasonably withheld) and without payment of any past due rent, assignment fee or similar charge or increase in any rent.

(f) The landlord agrees that, before the effective date of any assignment of the lease to us (or our designee), you will be solely responsible for all obligations, debts and payments under the lease.

(g) The landlord agrees not to amend or otherwise modify the lease in any manner that would affect any of the foregoing requirements without our prior written consent (which will not be unreasonably withheld).

(h) The total possible term of the lease (including the initial term and all renewal terms that are at your option) must be for at least 10 years.

2.4 Buildout. Promptly after obtaining possession of the approved site for the Unit, you will: (a) retain the services of the prescribed architect firm for Unit design and pay the associated fees; (b) propose to us a qualified general contractor, if required for your Unit type, and, following our approval, retain the services of the approved contractor; (c) have prepared and submit to us for our approval plans for the buildout of the site using our standard Unit plans and consistent with the System Standards and applicable law; (d) obtain all required permits, licenses and zoning variances, and secure insurance bond against contractor default; (e) purchase all required equipment, furnishings, fixtures, interior and exterior signs (including menu boards) and décor as required by this Agreement and the System Standards, which may require that you purchase certain build-out items from suppliers designated by us; (f) complete the construction, buildout, and/or remodeling of the Unit premises consistent with the approved plans, the System Standards and applicable law; (g) obtain all customary sworn statements and waivers of liens from contractors, subcontractors, suppliers and others; (h) install all necessary equipment, furnishings, fixtures, interior and exterior signs (including menu boards) and décor; and (i) otherwise have the Unit ready to open for business as required by this Agreement and the System Standards. You may not deviate from our System Standards relating to plans, layout, equipment, furnishings, fixtures, signs (including menu boards) or décor, or otherwise relating to the appearance and other aesthetics of your Unit, unless you have our prior express written consent.

2.5 General Contractor Requirements. You may not retain the services of a general contractor for your Unit until you have obtained our written approval. We will not approve your proposed general contractor until after you have provided to us a copy of the fully signed General Contractor Letter Agreement, in the form attached as *Exhibit D*.

2.6 Pre-Opening Reporting. Beginning the first Thursday after your lease for the Unit is signed, you must provide to us a weekly progress report using the Start Up Checklist form provided by us (which must be completed in full, must provide timelines for upcoming inspections and other construction milestones and must be accompanied by photographs of the Unit) or as otherwise required by System Standards. This report must be sent by email to turnkey@paciugo.com each Thursday, until the Unit is completed to our satisfaction. You must promptly respond to our requests for any other information regarding the construction and/or build out of the Unit or your preparations for opening the Unit for business.

2.7 Alteration. You will not make any material alteration to the Unit's premises, equipment, furnishings, fixtures, signs (including menu boards) or décor without our prior express written approval.

SECTION 3: YOUR OPERATING OBLIGATIONS

3.1 Management. At all times during the term of this Agreement, you will employ a manager who will meet our educational, managerial and business experience standards, and who will devote full time, energy, attention and best efforts to the management and operation of the Unit ("Manager"). If you are an individual, you may serve as the Manager. You will designate to us in writing the identity of your initial Manager within 3 months after the Effective Date of this Agreement, and you will designate to us in writing the identity of each successor Manager within 30 days after the prior Manager ceases to serve as Manager.

3.2 Opening the Unit. Unless we agree in writing to a later opening date (or a later lease execution date, as applicable), you are required to sign a Lease Agreement for the Unit within 6 months after you sign the Franchise Agreement, and then open the Unit and begin business within 6 months after you sign a Lease Agreement for the Unit. Before opening, you will complete all necessary construction and build out of the Unit, including installation of furnishings, fixtures, equipment and interior and exterior signs (including menu boards), pursuant to the System Standards and our approved plans and specifications, and your initial Manager must have successfully completed the initial training program. You must obtain our written approval before opening the Unit, and you must schedule the opening date for a mutually convenient date, according to our soft-opening guidelines (which require the certificate of occupancy in hand, with soft-opening the following Tuesday). If your Unit is not ready for opening on the agreed scheduled opening date, you will pay us a per diem fee equal to our expenses incurred due to your delay (including our expenses for travel, transportation, meals, lodging and wages/benefits), and you will reimburse us for any additional out of pocket costs we incur as a result of the delayed opening.

3.3 Manager Training. Your initial Manager must, before the opening of the Unit, attend and complete to our satisfaction the initial training program we require. Any successor Manager you later employ must also satisfactorily complete the initial training program we require before (or as soon as we require after) being designated as Manager of the Unit. We will provide instructors, facilities and training materials for the training of your initial Manager free of charge. All other expenses incurred in your initial and successor Managers' training, including the cost of travel, transportation, meals, lodging and any wages/benefits, will be your responsibility. You will pay to us our then-current tuition (or then-current per diem fee) and expenses incurred by us for the initial training of any successor Manager you later employ, including the reasonable travel, transportation, wages/benefits, meals and lodging expenses we incur if we elect to provide this training at your Unit.

3.4 Other Training. You and your Manager must attend any additional or refresher training programs that we designate as mandatory for franchisees and managers, respectively. You will be responsible for all travel, transportation, lodging, meals and incidental expenses and compensation of the people you send for additional or refresher training programs we offer, and you will pay us the cost of providing you the training materials (if any), and any tuition we may require under Section 4.5. All training materials are confidential, and will remain our property.

3.5 Employee Training. You will maintain competent and conscientious personnel to operate the Unit in accordance with this Agreement and the Manual. You will train or cause the training of all your personnel as and when required by prudent business practices, our System Standards or this Agreement. Throughout the term of this Agreement, beginning on the day your Unit first opens for business, you must have a trained production person on staff who will be responsible for making gelato, so that you or your Manager will have sufficient time to perform your managerial duties, conduct marketing activities and insure the quality of customer experience.

3.6 Marketing.

(a) Marketing Programs. You will participate in all advertising, public relations, promotion, market research, and other marketing activities we may implement for the System ("Marketing Programs"). We may require you to pay for the production of marketing materials to be used by you in your market area (in addition to your contribution of Marketing Fees).

(b) Local Marketing. You must spend at least 2% of your monthly Gross Sales on your own local marketing and advertising activities. These activities can include off-site sampling events, public relations, participation in community events, direct mail, advertising, and other marketing programs. You must submit to us proof of these expenditures within 30 days after the end of each month in the format we require. All materials you use in your local marketing efforts (including in-store signs, collateral materials and promotions) must conform to System Standards, including proper Mark usage, and be approved in writing by us before you use them. We may, at our option, offer to provide, at no cost to you or at prices that reasonably cover our direct and indirect costs, approved templates, promotional plans, advertising and other materials, which we may develop for use by Paciugo franchisees in local marketing. We have the right, at any time after you begin using approved marketing materials, to prohibit further use, effective immediately upon your receipt of written notice. You are restricted from making press releases without our consent, and you may not make any contributions or donations to any individual, entity or organization that might negatively impact the Paciugo brand or franchise system, without our consent.

(c) Advertising. All of your advertising and promotional materials shall represent and conform to our standards and specifications related to advertising, marketing and trademark use. You may develop advertising and promotional materials for your own use, at your own cost; however, you must submit to us all advertising and promotional materials not prepared or previously approved by us, for our approval. The samples of the proposed advertising or promotional materials along with the intended media must be submitted before first publication or use. We shall use good faith efforts to approve or disapprove proposed advertising and promotional materials. You will not use the advertising or promotional materials until we expressly approve the materials and the proposed media. Once approved, you will use the materials only in connection with the media for which they were approved. We may disapprove your advertising or promotional materials, or the media for which they were approved, at any time, and you must discontinue using any disapproved materials or media upon your receipt of written notice of disapproval. This includes the use of press releases.

(d) Contributions and Donations. You will not make any contributions or donations of products, services or money to any individual or entity, or provide any type of other benefit to any charitable, religious, political, social, civic or other type of organization (or to any individual on behalf on any organization) that might negatively impact the Paciugo brand or franchise system, without our prior express written consent.

(e) Cooperative Marketing. We may, in our discretion, form local or regional marketing cooperatives covering your Protected Territory and the territory of at least one other franchisee or company-owned or affiliate-owned Unit for the purpose of developing and implementing local or regional marketing programs. If we require you to join a local or regional marketing cooperative (the "Co-op"), then you must: join the Co-op; participate with other franchisees in the Co-op's marketing programs; and pay your share of the Co-op's marketing expense up to 2% of your monthly Gross Sales. Any payments you make for the Co-op's marketing will be applied toward your required minimum local marketing expenditures described in Section 3.6(b), but will not affect your obligation to pay marketing fees for the Marketing Fund described in Section 5.3 of this Agreement. The Co-op's marketing expenses will be allocated among its members based on the number of participating Units or on some other reasonable basis as we may determine. We or our designee will be responsible for administering the Co-op; however, we may delegate this authority to a committee of franchisees. The Co-op will operate under written governing documents prepared by us or our designee, which will be made available to you upon reasonable request. An accounting of the operation of the Co-op will be prepared annually by the Co-op, at the Co-op's expense, and made available to Co-op members upon request. We have the right, in our sole discretion, to modify, merge or dissolve any Co-op upon written notice to its members; however, a Co-op will not be dissolved until all of the money in the Co-op has been spent for marketing purposes or returned pro rata to its members.

(f) Internet Marketing. You will not, directly or indirectly, create or maintain an Internet web page, web site address, Internet directory listing or any social media (including, but not limited to, Facebook, My Space and Twitter) account or listing relating in any way to your Unit, or which uses any Marks.

(g) Grand Opening Marketing. On or before the date on which you sign a lease for the Unit, you shall pay to our designated vendors a lump sum of $8,000. Our designated vendors will spend such amount on your behalf to design and implement a grand opening marketing program to promote the opening of your Unit.

3.7 Approved Menu Items, Products and Services. You will offer all approved menu items and other approved products and services pursuant to the System Standards for your Unit type, and no other menu items, products or services. You may not deviate from our approved flavors or offer unapproved flavors. You will prepare and offer for sale all required menu items using the recipes, ingredients, serving sizes, decorations, serving containers and related items (such as spoons, napkins, straws and bags), nomenclature and presentation exactly in accordance with the System Standards. If you desire to offer any unapproved menu items, flavors, products or services, you must first obtain our prior express written consent. You will refrain from deviating from our System Standards by the use or offer of non-conforming items or differing amounts of any items, without our prior express written consent. You will maintain at the Unit, at your expense, all inventory and supplies as required by the System Standards for your Unit type.

3.8 Hours of Operation. You will keep the Unit open and in normal operation for the minimum hours and/or days as required by the System Standards for your Unit type. You may not modify your hours of operation unless you receive our prior written consent to do so. Any unauthorized modification of your hours of operation will constitute a material breach of this Agreement.

3.9 Maintenance of Unit. You will install and maintain at the Unit, at your expense, all furnishings, fixtures, equipment, and interior and exterior signs (including menu boards) as required by the System Standards for your Unit type. You will not install or permit to be installed on or about the Unit premises any furnishings, fixtures, equipment, signs, décor, vending machines, video games, or the like not previously approved by us. You will not display or distribute on or about the Unit premises any magazines, brochures, posters, business cards or other marketing materials for any other business not previously approved by us. You will maintain the Unit premises, and all furnishings, fixtures, equipment and interior and exterior signs (including menu boards) in a clean, attractive condition, and in good working order and repair. If we notify you of any deficiency as to the general state of repair or appearance of the Unit's premises, furnishings, fixtures, equipment, signs or décor, you must undertake the action we reasonably specify to correct the deficiency within the time period we specify.

3.10 Refurbishing the Unit. Within 6 months after our request, you will: (a) remodel, redecorate, and refurbish the Unit at your expense to conform to the decor, color schemes, and presentation of trademarks and service marks consistent with our then-current image; and (b) upgrade, modify and/or replace furnishings, fixtures, equipment, décor, and interior and exterior signs to conform to our then-current System Standards. It will be no less than 5 years from the Effective Date of this Agreement before you are required to make major capital expenditures (e.g. remodel the entire Unit), but you may be required to purchase equipment necessary to prepare new menu items or make other upgrade expenditures during your first 5 years of operation.

3.11 Lease Compliance. You will comply with all of the terms of your lease, sublease, and other agreements authorizing your use of the Unit premises, and will refrain from any activity which may jeopardize your right to remain in possession of, or to renew the lease or sublease for, the Unit premises.

3.12 Compliance with Laws and Good Business Practices. You will obtain and maintain in force, as and when needed, all governmental permits, licenses and approvals required by applicable law to establish and operate the Franchised Business at the Approved Location. You will pay when due (or properly and timely contest) all federal, state and local payroll, withholding, unemployment, permit, license, property, ad valorem, use, sales, gross receipts, income, property and other taxes, assessments, fees, charges, penalties and interest, which may be charged or levied against you as a result of your business operations, and will file when due all required governmental returns, notices and other filings. You will conduct your business operations under this Agreement in full compliance with all applicable laws, ordinances, regulations, rules, administrative orders, decrees and policies of any local, state, or federal government, governmental agency or department. You will, in all dealings with us, suppliers, customers and public officials, adhere to the highest standards of honesty, integrity, fair dealing and ethical conduct. You will refrain from any business practice which may harm our business, System or Marks, or other franchisees' businesses. You will cause your affiliates, employees, owners, representatives and agents to strictly comply with the provisions of this Agreement. You will notify us promptly if you obtain any information that any aspect of the System does not comply with any applicable law, rule or regulation. You also agree to comply with all payment card infrastructure ("PCI") industry and government security standards and requirements designed to protect cardholder data. PCI standards apply to both technical and operational aspects of credit card and other payment card transactions and apply to all organizations which store, process or transmit cardholder data. You acknowledge and agree that you shall be solely responsible for any costs, expenses, damages or other liabilities incurred by you or us as a result of, or in connection with, your failure to comply with any PCI standards.

3.13 Communication, Reports and Accounting. You will diligently and promptly reply to all e-mail messages from us or our affiliates or representatives, and you must use the email address we assign to you for all emails related to the operation of your Franchised Business. If you fail to promptly reply to any e-mail message from us or our affiliates or representatives, which requires a business decision on your part, you authorize us to act as your attorney-in-fact to make this decision on your behalf, and you will be bound by our decision. You will prepare written periodic reports, in the forms required by the System Standards, containing the information we require about your operations during each reporting period. You will submit all printed weekly reports (including revenue reports) and weekly payments to us on or before 5:00pm on the Friday immediately following the week to which they relate, and all other reports and payments within the time period required by the System Standards. You will prepare and submit other reports and information about your operations as we may reasonably request in writing or as required by the System Standards. We may require, at our option, that certain reports you submit be certified as true and correct by you, your owners or your chief financial officer, and that certain reports be submitted using the forms, formats and communication media that we specify. You will obtain, install and maintain any computer software we require for this purpose or for obtaining relevant information directly from your point-of-sale system or computer system. You will maintain accounting books and records in accordance with generally-accepted accounting principles, subject to this Agreement and other reasonable accounting standards we may specify periodically. You will prepare and submit to us your annual and semi-annual financial statements within 45 days after the end of the accounting period to which they relate, in the prescribed format using the supplied chart of accounts. We do not require that your financial statements be independently audited, but if you have them audited you will provide us with a copy of your audited statements. You will retain copies of all reports, and originals or copies of all other information, books, records, and other materials relating to the operation of the Franchised Business, for a period of 5 years following their respective dates. In addition to any reports you provide to us, we will have the right at any time to access your information, upload and download data, troubleshoot and perform diagnostic checks, and retrieve whatever data and information we want from your point-of-sale system, computer system and communication system. You will cooperate with us completely in any of these tasks. This information will become our property.

3.14 <u>Insurance</u>. You will obtain before opening and maintain in force throughout the term of this Agreement, at your sole expense, insurance coverage from an insurance company acceptable to us, which complies with the System Standards for your Unit type specified in the Manual or otherwise by us in writing, as of the Effective Date and each time the policy is renewed. If you offer catering services, you must obtain and maintain additional insurance coverage in compliance with System Standards for these operations. Your policies must: name us as an additional insured; contain a waiver of the insurance company's right of subrogation against us; and provide that we will receive at least 30 days prior written notice of termination, expiration or cancellation of the policy. You will promptly provide us with current and updated certificates of insurance. Your obligations under this Section 3.14 are not limited in any way by reason of any insurance that we maintain, and your indemnity obligations under Section 11 are not affected by your insurance obligations under this Section 3.14.

3.15 <u>Conferences</u>. You (or, if you are an entity, one of your owners or officers) or your Manager will attend each franchisee conference and pay the conference fee we set for our franchisees, if and when we sponsor a franchisee conference. Mandatory training for our franchisees or their managers may be held at a conference. The conference fee we set will be the same for all of our franchisees. You will receive reasonable notice of each franchisee conference. You will be responsible for all travel, transportation, lodging, meals, and incidental expenses and compensation of the people you send to any franchisee conference.

3.16 **Purchasing.** You will purchase or procure and use in the Franchised Business certain designated items (including furnishings, fixtures, equipment, interior and exterior signs (including menu boards), ingredients, inventory and supplies) and services in compliance with any minimum standards or specifications we may periodically establish, and from only the suppliers that we approve. We or our affiliates may be the sole approved suppliers of certain items and services. You may purchase or procure any other approved goods or services for the Franchised Business from any competent source you select, so long as the goods and services meet or exceed our System Standards. If you have any complaint about any purchase you make from us or any of our affiliates (including damage, deficiency or spoilage), you must promptly notify us, and provide whatever proof of your claim we require, including photographs clearly showing the basis for your claim. We and our affiliates reserve the right to reject all complaints that are not adequately documented and photographed.

3.17 **Goodwill.** You will use reasonable efforts to protect, maintain and promote the trade name "Paciugo" (or other trade name approved by us) and its distinguishing characteristics, the other Marks and the System. You will not permit or allow your officers, directors, owners, Managers, employees, representatives or agents to engage in conduct which is unlawful or damaging to the goodwill or public image of the Marks or System. You will participate in all quality assurance, customer service and customer satisfaction programs we require in good faith. You will follow System Standards for identification of your operations and for you to avoid confusion on the part of customers, creditors, lenders, investors and the public as to the ownership and operation of the Franchised Business.

3.18 **Non-Competition.** In order to protect our proprietary trade secrets and other Confidential Information and in consideration of our providing you with specialized training and access to our trade secrets and other Confidential Information, you (and, if you are an entity, your officers, directors, and owners) and your Managers will not engage in, assist, acquire, advise, consult with, be employed by, own, or become associated in any way with, any business whose methods of operation, trade dress or business concept is the same as or similar to that of the System or the Marks, or which makes or sells gelato, other than the Franchised Business, unless you have our prior express written consent. You will not solicit or otherwise induce our employees or the employees of any of our affiliates or other franchisee to leave their employment. You will not divert or attempt to divert any business or customer of ours or any of our affiliates or franchisees to any competitor. You will, upon our request, require that your officers, directors and Managers sign covenants of non-competition regarding the matters specified in this Section 3.18 and in Section 14.7, and these covenants will be in a form acceptable to us and will identify us as a third-party beneficiary, with the independent right to enforce them.

3.19 Quality and Customer Service Standards. All products and services you provide under this Agreement will be of high quality, and will conform to the quality and customer service standards we may establish from time to time. If we determine, in our sole discretion, that any of the products and services you have provided are not in conformance with our quality standards, we will give you written notice specifying in reasonable detail the facts and circumstances of your default. After you receive this notice, you will immediately undertake and diligently pursue the efforts we deem necessary to remedy the default, and to bring the products and services you offer into conformance with our quality standards within 30 days from your receipt of our notice. If, after this 30-day period, the products and services at issue do not, in our sole opinion, conform to our quality standards, then we have the right, at our option, to terminate this Agreement in its entirety, upon 30 days written notice to you pursuant to Section 13.3 of this Agreement. We may use a secret shopper program or guest survey program to evaluate your compliance with our quality standards and customer service standards. If the secret shopper score or guest survey for your Franchised Business does not meet the System Standards, you may be required to send your manager to another training class as we require in our discretion (at your cost).

3.20 Telephone, e-mail and Web Sites. You will obtain a telephone number for exclusive use in connection with the Franchised Business, and we will assign you an email address and a designated page or account on any Internet websites on which we, at our option, choose to promote the Franchised Businesses (including social networking sites like Facebook, My Space and Twitter) for exclusive use in connection with the Franchised Business, and this telephone number, email address and Internet website pages/accounts will be deemed to be our property.

3.21 Directory Listings. You will obtain and maintain at your expense white pages and yellow pages listings for the Franchised Business, as required by System Standards, and in the form provided by or expressly approved by us, in the principal telephone directory serving your Approved Location. If other businesses franchised by us are served by the same directory, we may require a group listing of all relevant franchised businesses, and in that event the costs of this listing will be reasonably allocated among the applicable franchised businesses.

3.22 Point-of-Sale System and Computer System. You will, at your expense, purchase and maintain, any point-of-sale system, computer hardware and software, communication equipment, communication services, dedicated telephone and power lines, modems, printers, and other related accessories or peripheral equipment exactly as specified in the System Standards, including but not limited to the "Paciugo Turnkey & System Standards" web page, or as we may otherwise specify from time to time for use in the Franchised Business. You will provide any assistance we require to connect your point-of-sale system or computer system with our computer system. We will have the right at any time to retrieve data and other information from your point-of-sale system or computer system as we, in our sole discretion, deem necessary or desirable. You will strictly comply with our standards and specifications for all items associated with your point-of-sale system, computer system and communication equipment and services. You will keep the point-of-sale system, computer system and communication equipment in good maintenance and repair, and you will promptly install, at your expense, any additions, changes, modifications or substitutions to your point-of sale system, computer hardware, software, communication equipment, telephone and power lines, and other related accessories or peripheral equipment, and related services, as we may specify periodically. We may require that you license from us, our affiliates or a supplier we designate, proprietary computer software for use in the Franchised Business, and, if so, you will sign the software license agreement we specify, and you will comply with all of its terms and conditions. You will utilize the point-of-sale system, computer system and communication equipment and services in connection with the Franchised Business exactly as specified in the "Paciugo Turnkey & System Standards" web page, or as otherwise specified under the System Standards.

3.23 Notification of Legal Proceedings. You will notify us in writing within 5 business days of the commencement of any action, suit, or proceeding, and of the issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality, of which you become aware, and which may adversely affect the operation or financial condition of the Unit.

3.24 Catering. You have the option to offer gelato catering services in connection with the Franchised Business. If you choose to offer these services, you must offer them pursuant to the applicable System Standards, which include requirements for the purchase of additional equipment and insurance.

3.25 Uniforms. Your employees will wear uniforms as required by the System Standards.

3.26 Music. You will, at your expense, purchase or lease, maintain and use, any music system that we may specify from time to time for use in the Franchised Business, and you will use this music system to play music that we have approved, and no other music. If we require, you will enter into music service agreements for subscription music programming, at your expense.

3.27 Gift Cards. If we require, you will accept stored-value gift cards or other non-cash payment methods that we may specify from time to time for use in the Franchised Business to enable customers to purchase products and/or services offered by the Unit without cash in accordance with System Standards. You will, at your expense, purchase or lease, maintain and use, any necessary hardware and/or software that we may specify in connection with these non-cash systems.

SECTION 4: OUR SERVICES AND OBLIGATIONS

4.1 Unit Location. We will provide you with our site selection criteria and standard Unit layout plans and specifications for your Unit type. We will also provide you with the assistance and consultation we deem advisable regarding the location, placement and layout of the Unit at the Approved Location.

4.2 Checklist. We will provide you with a detailed checklist (referred to as "Paciugo Turnkey", which is part of the System Standards) covering substantially all of the operating steps required to establish and open the Unit. It is your responsibility to ensure compliance with all applicable laws relating to the establishment and operation of the Franchised Business at the Unit premises.

4.3 Unit Construction. We will provide you with standard plans and specifications for construction and/or build out for the Unit, which you will have adapted to your Approved Location. We will provide you with the assistance and consultation we deem advisable regarding constructing, remodeling or decorating the Unit, and regarding the installation of equipment

4.4 Manager Training. We will provide you with an initial training program. You must attend the classes taught during this program. If there are multiple owners, we will provide training to 1 owner. If you will not be operating the Unit, we will offer this training to your initial manager and may offer it to each successor manager. The initial training program will be offered at our headquarters in Dallas, Texas or other location(s) designated by us from time to time in our sole discretion. During this training program you will be required to work in a Unit operated by a franchisee or an affiliate we select (without pay or other compensation). Our initial training program will be offered periodically as needed, subject to scheduling, and will consist of on-the-job training, plus a minimum of 40 hours of classroom training. Training materials include a Production Manual, Training Manual and on-line testing. We will provide training instructors and training materials. You will be responsible for all other expenses, including travel, transportation, meals, lodging, and any incidental expenses.

At least 6 months before you open your Franchised Business, you must designate to us in writing an individual to serve as the initial manager for the Franchised Business. If you designate a store manager, he or she must successfully complete our initial training program to our satisfaction before you open your Unit. There is no training fee for the initial training program for your initial manager.

Any manager hired at a later date, also must satisfactorily complete the initial training program, if we determine in our sole opinion that this training is necessary. You may send additional trainees to the initial training we provide, on a space-available basis. For any training of additional trainees, including later-hired managers, we reserve the right to charge you our then-current fee for tuition and training materials (currently $1,400). If this training is provided at your Unit, you must pay our then-current daily fee for tuition and training materials (currently $250 per day) and reimburse us for all reasonable expenses we incur (including the cost of travel, transportation, meals, lodging and any wages/benefits).

Our training programs are specifically tailored to the experience and ability of the individual trainee(s). The initial training program will last approximately 14 days. If your manager has at least 6 months' experience in the operation and management of a Unit, we may, at our discretion, not require such manager to successfully complete the entire training program curriculum.

All initial training we provide will be offered, in our sole discretion, at a Unit operated by a franchisee or an affiliate, at our training facility, at your Unit, or at some other location in the United States we select, and will be subject to the provisions of Section 3.3.

4.5 Other Training. We may in the future offer or require additional or refresher training for you or your Manager, if we determine, in our sole discretion, that this training is necessary or appropriate. Additional and refresher training will be held at one or more locations in the United States determined by us, and may be held in conjunction with a franchisee conference. We may charge you for the cost of providing you the training materials (if any), and a tuition for any additional or refresher training program. All additional and refresher training we provide will be subject to the provisions of Section 3.4.

4.6 Pre-Opening and Opening Assistance. We will provide you with pre-opening assistance and consultation as we deem advisable. We will provide to you, at no charge, on-site assistance and supervision in connection with the opening of your Unit by one or two representatives for 4 days, at times as may be mutually convenient to you and us.

4.7 Marketing Programs.

(a) Marketing Activities. We will develop one or more Marketing Programs, and we (or our designee or affiliate) will administer the Marketing Programs. We will determine in our sole discretion: the nature and type of program; the nature and type of media placement; the allocation (if any) among national, regional and local markets; the nature and type of advertising copy and other marketing materials; and all other aspects of the Marketing Programs. We do not promise that you will benefit directly or proportionately from any Marketing Programs.

(b) Marketing Fees. We will use marketing fees we collect from our franchisees to pay for the Marketing Programs and to reimburse our reasonable direct and indirect costs, overhead and other expenses (and those of our designee or affiliates) of providing services and materials relating to the Marketing Programs. We are not obligated to supplement the marketing fees; however, Units owned and operated by our affiliates currently intend to contribute to the Marketing Programs on the same basis as our franchisees.

(c) Duration. We have the right to terminate any Marketing Program, at our discretion. However, any termination will not be effective until all marketing fees we have collected for the Marketing Program have been expended.

4.8 Purchasing. Although you are responsible for purchasing or procuring goods and services for use in connection with the Franchised Business, we and/or our affiliates may offer optional assistance to you with purchasing or procuring goods or services. We may require minimum standards or specifications for goods and services, specify approved goods and services, and restrict the suppliers authorized to sell or provide certain goods and services in order to control quality, provide for consistent service or obtain volume discounts. We will provide you with our System Standards for goods and services, our list of approved items, and our list of approved suppliers.

4.9 Continuing Consultations. We will assist you to understand your obligations under the System Standards and this Agreement, provide you with other continuing consultation, and may provide you with new proprietary methods and formulas relating to approved menu items or operation of the Unit, all on terms as we deem appropriate. To the extent possible, we will provide consultation during inspections and audits, through the System Standards, at training sessions (if any), and during franchisee conferences (if any). If you request additional operating assistance or services, we may require that you pay us our then-current per diem fee and the expenses we incur in providing additional assistance to you (including our expenses for travel, transportation, meals, lodging and wages/benefits).

4.10 Retail Prices. We will provide you with suggested retail prices for the products and services offered by the Franchised Business. We also reserve the right to establish maximum, minimum or other pricing requirements for all products and services to ensure price consistency, if allowed under applicable federal and state law. If we do establish pricing requirements (if allowed by applicable law), you must offer and sell your products and services at prices that comply with our requirements.

4.11 Conferences. We may sponsor periodic conferences for our franchisees, at which seminars, workshops and other training may be conducted. We may require you (or one of your owners or officers) and/or your Manager to attend each conference. We may charge you a fee for any conference to cover our expenses.

4.12 Loan of Manual. Within 15 days after execution of this Agreement, we will loan to you for the term of this Agreement a copy of our current operations manual, and we will later provide you with all periodic modifications thereto and any other manual we develop (collectively, the "Manual"). If the copy of the Manual we loan to you is lost, stolen or destroyed before you return it to us, you will pay us a replacement fee of $1,000, and we will loan you a replacement copy.

SECTION 5: FEES

5.1 Franchise Fee. Contemporaneously with the execution of this Agreement, you will pay us an initial franchise fee of $30,000. The initial franchise fee will be deemed fully earned and nonrefundable when paid, in consideration of administrative and other expenses we incurred in entering into this Agreement, and for our lost or deferred opportunity to enter into a franchise agreement with others for the Approved Location or Protected Territory.

5.2 Royalty Fee. During the term of this Agreement, you will pay to us a continuing weekly royalty fee of 4.5% of each week's revenue you receive from the sale of all products and services, including the sale of food, beverages and merchandise and all other income of every kind and nature related to the Unit, whether for cash or credit, and regardless of collection in the case of credit, but not including any sales taxes you collect for transmittal to the appropriate taxing authority ("Gross Sales"). Your royalty fee payments must be made without any offset, credit or other deductions of any nature.

5.3 National Marketing Fund. During the term of this Agreement, you will also pay to us, on a weekly basis, a marketing fee of 2.5% of each week's Gross Sales for the Unit.

5.4 Taxes. You will pay to us when due any federal, state or local sales, gross receipts, use, value added, excise or other taxes levied or assessed against us as a result of, or in connection with, any fees and other payments delivered to us under this Agreement, including any income tax (other than federal income tax), franchise or other tax levied or assessed against us for the privilege of doing business in your State.

5.5 Late Payment Fees and Late Report Fees. All fees and other payments due to us under this Agreement but not timely paid by you will be subject to a late payment penalty after the due date at the rate of 1.5% per month or the maximum rate permitted by applicable law, whichever is less, accruing until the amount is paid in full. This provision does not permit or excuse late payments. If you fail to timely pay us or any of our affiliates for any order of supplies shipped COD, we and our affiliates reserve the right to refuse to make any additional COD shipments to you until you have brought your account current, including payment of all applicable late payment penalties. In addition to, and not in lieu of, any late payment fees described above, if you fail to timely deliver any reports or financial statements to us under this Agreement (including, but not limited to, the reports and financial statements contemplated by, or specifically required under, Section 3.13 of this Agreement), you must pay us Fifty Dollars ($50) per week for each week that a required report or financial statement remains undelivered. This $50 fee is payable by means of electronic funds transfers or other methods in accordance with procedures that we may establish in the Manual or otherwise specify in writing.

5.6 Place and Method of Payment. You will pay us, without billing or demand, all weekly fees required by this Agreement, by Friday at 5:00 pm of the following week for the Gross Sales during the preceding calendar week; alternatively we may choose to be paid by credit card at the moment the sales report is submitted You will submit your weekly payments to us together with any weekly statements and reports required under Section 3.13. For any purchases of ingredients or other items or services from us or our affiliate, you will pay us or our affiliate within the then current terms of the relevant items or services; alternatively we and our affiliate may choose to be paid by credit card at the moment the ingredients are ordered. The acceptable credit cards are Visa, Master Card and Discovery; or the ones we will from time to time designate as the accepted credit cards. All fees and other payments due us under this Agreement will be made to us at our headquarters in Dallas, Texas, or as otherwise specified by us in writing. We have the right to require you to transmit fees and other payments to us by means of electronic funds transfers or other methods in accordance with procedures that we may establish in the Manual or otherwise specify in writing. If we require alternate means of payment, you will sign all documents we reasonably require, establish and maintain any required accounts, and otherwise cooperate with us to effectuate these means.

SECTION 6: SYSTEM STANDARDS AND MANUALS

6.1 <u>System Standards</u>. At present, our System includes (a) the Marks; (b) trade secrets and other intellectual property, including Confidential Information (as defined in Section 8), the Manual and know-how; (c) marketing, advertising, publicity, public relations and other promotional materials and programs; (d) System Standards; (e) training programs and materials; and (f) universal service quality and customer satisfaction standards and programs. You acknowledge and agree that every detail of the System is important to you, us, and other franchisees in order to develop and maintain high and uniform operating standards, increase the demand for the products and services marketed by all franchisees, and protect our reputation and goodwill. You will maintain our high System Standards with respect to your Unit's premises, facilities, equipment, services, products, and operations. You will strictly comply with all of the mandatory System Standards in the Manual or that we otherwise provide to you in writing. We may, in our sole discretion, by written notice, permit deviations from System Standards, based on local conditions and our assessment of the particular circumstances involved.

6.2 <u>Modification of the Manual</u>. In our sole discretion, we may change, delete from or add to the System, including any of the Marks or System Standards, by providing you with written notice thereof, or by modification of the Manual. You will implement any modifications promptly after written notice from us, provided that no addition or modification will alter your fundamental rights or status under this Agreement. If there is a dispute as to the contents or meaning of any part of the Manual, the version maintained by us at our principal office will be controlling. The Manual is confidential and will remain our property.

6.3 <u>Ownership of the System</u>. We own all rights, title and interest in and to the System. You will not acquire any proprietary interest in the System. Your rights to use the System are derived solely under this Agreement. Unauthorized use of the System by you will constitute a material breach of this Agreement.

6.4 Inurements. All present and future distinguishing characteristics, improvements and additions to, or associated with, the System by us, you or others, and the associated goodwill will be our property, and will inure to our benefit.

SECTION 7: MARKS

7.1 Ownership of the Marks. You acknowledge that our affiliate owns all right, title and interest in and to the Marks. You will not acquire any proprietary interest in the Marks, and you will not challenge our ownership of the Marks or our right to use the Marks. Except as expressly provided herein, you will not acquire any rights in the Marks. Your rights to use the Marks are derived solely under this Agreement, and constitute a non-exclusive license.

7.2 Registration. We have taken and will take all steps reasonably necessary, in our sole opinion, to preserve and protect our ownership of, and the validity of, the Marks. You will not apply for governmental registration of the Marks, or contest the registration status of the Marks. You will display the Marks, and give notice of trademark registration and claims in accordance with the System Standards. You will cooperate fully and in good faith with us for the purpose of maintaining registrations and prosecuting applications for the Marks, and otherwise securing and preserving our rights in and to the Marks.

7.3 Use of the Marks. You will not use the Marks without our prior express written consent. Before each intended use of any material of any nature which bears any of the Marks, you will submit to us samples of the materials. You will use the Marks only as expressly authorized by this Agreement, our Manuals or as otherwise provided by us in writing. Unauthorized use of the Marks by you will constitute a breach of this Agreement, and an infringement of our rights in and to the Marks. You will take all steps necessary or appropriate to preserve the goodwill and prestige of the Marks. You will use the Marks only in connection with the Franchised Business. You will not use any Mark in your corporate name or legal name, but you may use a Mark in an assumed business or trade name if you have our prior express written consent. You will not use any Mark with any prefix, suffix or other modifying trademarks, logos, words, terms, designs or symbols or in any modified form. You will not use any Mark in connection with any unauthorized product or service, or in any manner not expressly authorized under this Agreement.

7.4 Inurements. All usage of the Marks and any goodwill associated with the Marks will inure exclusively to the benefit of our affiliate or us. All present and future service marks, trademarks, copyrights, service mark registrations and trademark registrations used or to be used as part of the System, and the associated goodwill, will be the property of us or our affiliate, and will inure to the benefit of our affiliate or us. Upon the expiration or termination of this Agreement for any reason, you will not be entitled to any compensation or other monetary benefit attributable to any goodwill associated with the Franchised Business, including any goodwill associated with your use of the Marks.

7.5 Infringements and Litigation. You will promptly notify us in writing of (a) any adverse or infringing uses of the Marks (or names or symbols confusingly similar), Confidential Information (as defined in Section 8) or other System intellectual property, and (b) any threatened or pending litigation related to the Marks or System against (or naming as a party) you or us, of which you become aware. We will handle disputes with third parties concerning use of all or any part of the Marks or System in any manner we deem appropriate, in our sole discretion. You will cooperate fully and in good faith with our efforts to resolve these disputes. We may bring suit in your name or join you as a party to the relevant proceedings. We may resolve any dispute by obtaining a license of the property for you at no expense to you, or by requiring that you discontinue using the infringing property or modify your use to avoid infringing the rights of others. We need not initiate suit against imitators or infringers who do not, in our sole opinion, have a material adverse impact on the Franchised Business, and we need not initiate any other suit or proceeding to enforce or protect the Marks or System in a matter we do not believe, in our sole opinion, to be material. We will defend you against any third-party claim, suit, or demand arising out of your use of the Marks. If we, in our sole discretion, determine that you have used the Marks in accordance with this Agreement, we will bear the cost of this defense, including the cost of any judgment or settlement. If we, in our sole discretion, determine that you have not used the Marks in accordance with this Agreement, you will bear the cost of this defense, including the cost of any judgment or settlement. If there is any litigation relating to your use of the Marks, you will sign any documents and do whatever acts as may, in our opinion, be necessary to carry out this defense or prosecution, including becoming a nominal party to any legal action. Except to the extent that litigation results from your use of the Marks in a manner inconsistent with the terms of this Agreement or the System Standards, we will reimburse you for your out-of-pocket litigation costs in cooperating with us in the litigation.

7.6 Substitution of Marks. We reserve the right to substitute different proprietary marks for use in identifying the System, the businesses operating under the System, and/or the products or services offered, if the Marks no longer can be used, or if we, in our sole discretion, determine that substitution of different proprietary marks will be beneficial to the System. In these circumstances, the use of the substituted proprietary marks will be governed by the terms of this Agreement, and we will not compensate you for any substitution. You will promptly implement any substitution, at your expense.

SECTION 8: CONFIDENTIAL INFORMATION

8.1 Confidential Information. We possess certain nonpublic trade secrets, proprietary information, technical data and know how which relate to our business, System, services or products, or to a Franchised Business, including the Manual, our System Standards, recipes (gelato recipes as well as those for any food or other items offered for sale at the Franchised Business), specialized preparation methods, quality-control systems, training materials, and information regarding salary, research, products, services, developments, inventions, processes, techniques, designs, marketing, finances, field operations, and computer hardware and software (collectively, "Confidential Information") that we will provide to you, and you will obtain other Confidential Information during the term of this Agreement. You acknowledge that your entire knowledge of the operation of a gelato shop, including the method of preparing gelato, food items, and other products offered for sale at the Franchised Business, recipes, specifications, standards, and procedures involved in the operation of a Unit is derived solely from Confidential Information we disclose to you.

8.2 Protection of Confidential Information. You will use the Confidential Information only in the operation of your Franchised Business, and you will not disclose Confidential Information to others, except as expressly authorized by this Agreement. You will take all appropriate actions to preserve the confidentiality of all Confidential Information. Access to Confidential Information must be limited to only your employees who need the Confidential Information to perform their jobs and who are subject to your general policy on maintaining confidentiality as a condition of employment or who have first signed a confidentiality agreement. You will not copy or permit copying of Confidential Information. Your obligations under this section begin when you sign this Agreement and continue with regard to each aspect of the Confidential Information for as long as we continue to use such information in confidence (even if edited or revised) and for 3 years after we cease to use such information in confidence or treat such information as a protected copyright, as applicable. We will respond promptly and in good faith to your inquiry about continued protection of any Confidential Information.

8.3 Disclosure of Confidential Information. Notwithstanding anything to the contrary in this Section 8, you may disclose Confidential Information if you are required by law to disclose it, provided that you give us at least 10 days notice, if feasible, of your intent to disclose. You may also disclose Confidential Information to your attorneys, accountants, financial and investment advisors, bankers or lending institutions, and other advisors and consultants of a similar nature, provided that any disclosure is only to the extent necessary for your advisors to perform their services for you, and provided that these persons have the obligation, or otherwise agree, to keep the Confidential Information confidential. You will, upon our request, require that your officers, Managers, employees, agents and representatives who may have access to Confidential Information sign covenants to maintain the confidentiality of any information, and these covenants will be in a form acceptable to us and will identify us as a third-party beneficiary with the independent right to enforce them.

SECTION 9: INSPECTIONS AND AUDITS

9.1 Inspections and Audits. You will permit our employees, representatives and agents access to your offices, Unit premises, and other places of business, to perform inspections of your operations (including Unit premises, storage areas, furnishings, fixtures, equipment, signs, inventory and supplies) files, documents, records, products and Mark usage, and to audit your financial and operating books and records (including tax returns) relating to the Franchised Business, with or without prior notice of the inspection or audit. The inspections and audits will occur during normal business hours, although we may observe your operations and accounting activity at any time. You, your officers, Managers, employees, agents, and representatives will cooperate with our inspectors and auditors in the performance of their duties and you will permit us, our representatives and agents to, among other things: take photographs, movies, videotapes or sound recordings; interview your Managers, employees, agents, and representatives; interview your customers; make copies of your books, records and other documents relating to the Franchised Business; and take samples of documents, inventory, supplies, products and other materials relating to the Franchised Business.

9.2 Payments. You will pay us any underpayment of, and we will pay you or credit your account for any overpayment of, royalty fees or marketing fees discovered by an audit. You will pay the reasonable travel, lodging and meal expenses, and costs of our inspection or audit if you fail to cooperate with our auditors or inspectors, or if the audit reveals that you paid us less than 97% of the correct amount of fees for any month. We may publish or disclose the results of our inspections and audits. Our rights under this Section 9 survive for 2 years after termination or expiration of this Agreement.

SECTION 10: RELATIONSHIP OF THE PARTIES

10.1 Independence. You are an independent contractor. You are not our legal representative or agent, and you have no power to obligate us for any purpose whatsoever. We and you have a business relationship based entirely on and circumscribed by this Agreement. No partnership, joint venture, agency, fiduciary or employment relationship is intended or created by reason of this Agreement. You will exercise full and complete control over and have full responsibility for your contracts, daily operations, labor relations, employment practices and policies, including the recruitment, selection, hiring, disciplining, firing, compensation, work rules, and schedules of your employees. At all times, including in connection with all uses of any of the Marks, in connection with the operation of the Franchised Business, and in connection with all dealings with customers, suppliers, public officials, the general public, and others, you will conspicuously indicate your status as an independent contractor, including in all contracts, advertising, publicity, promotional and other marketing materials, and on any signage and uniforms, and in the manner as specified in the Manual or otherwise by us in writing from time to time. You will not make any express or implied agreements, guarantees or representations, or incur any debt in our name or on our behalf. You will not represent that the relationship between you and us is anything other than a franchise relationship. We will not be obligated by or have any liability under any agreements or representations made by you, and we will not be obligated for any damages to any person or property directly or indirectly arising out of the operation of the Franchised Business.

10.2 Joint Status. If you comprise 2 or more persons or entities (notwithstanding any agreement, arrangement or understanding between or among these persons or entities), the rights, privileges and benefits of this Agreement may only be exercised and enjoyed jointly. The liabilities and responsibilities under this Agreement will be the joint and several obligations of all these persons or entities.

SECTION 11: INDEMNIFICATION

11.1 Your Indemnification of Us. Independent of your obligation to procure and maintain insurance, you will indemnify, defend and hold us and our affiliates, the respective officers, directors, partners, shareholders, employees, agents and contractors of these entities, and the successors, assigns, personal representatives, heirs and legatees of all these persons or entities, (collectively, the "Indemnitees") harmless, to the fullest extent permitted by law, from and against all payments or obligations to make payments either (a) to or for third party claimants by any Indemnitees, including refunds, or (b) incurred by any Indemnitees to investigate, respond to or defend a matter, including investigation and trial charges, costs and expenses, attorneys' fees, experts' fees, court costs, settlement amounts, judgments and costs of collection (collectively, "Losses and Expenses"), incurred by any Indemnitee for any investigation, claim, action, suit, demand, administrative or alternative dispute resolution proceeding, actually or allegedly, directly or indirectly, relating to, arising out of, or resulting from or in connection with: any transaction, occurrence or service involving the Franchised Business; your marketing, selling, or serving of products and services; and any breach or violation of any agreement (including this Agreement), or any law, regulation or ruling by, or any act, error or omission (active or passive) of, you, any party associated or affiliated with you or any of the owners, officers, directors, Managers, employees, and agents of you or your affiliates, including when the active or passive negligence of any Indemnitee is alleged or proven.

11.2 Your Indemnification Duties. You will respond promptly to any matter described in Section 11.1, and defend the Indemnitee. You will reimburse the Indemnitee for all costs of defending the matter, including attorneys' fees, incurred by the Indemnitee if your insurer or you do not assume defense of the Indemnitee promptly when requested. We must approve any resolution or course of action in a matter that could directly or indirectly have any adverse effect on us, the Marks or the System, or could serve as a precedent for other matters.

11.3 Our Indemnification of You. We will indemnify, defend and hold you harmless from and against all investigation and trial charges, costs and expenses, attorneys' fees, experts' fees, court costs, settlement amounts, judgments and costs of collection you incur in any action or claim, actually or allegedly, arising out of or resulting from or in connection with the gross negligence or intentional misconduct of us or any of our employees while acting within the course and scope of their employment.

SECTION 12: ASSIGNMENT, TRANSFERS AND CONVEYANCES

12.1 **Transfer by Us**. We will have the right to transfer or assign all or any part of our rights or obligations under this Agreement to any person or legal entity. With respect to any assignment which results in the subsequent performance by the assignee of all of our obligations under this Agreement, the assignee will expressly assume and agree to perform these obligations, and will become solely responsible for all obligations of us under this Agreement from the date of assignment. Without limiting the foregoing, you expressly acknowledge that we may sell our assets, Marks, or System; may sell our securities in a public offering or in a private placement; may merge, acquire other corporations, or be acquired by another corporation; and may undertake a refinancing, recapitalization, leveraged buy-out, or other economic or financial restructuring.

12.2 **Transfer by You**. You understand and acknowledge that the rights and duties set forth in this Agreement are personal to you, and that we have granted these rights in reliance on your business experience, skill, financial resources and personal character (and that of your officers, owners, Managers and guarantors, if any). Accordingly, neither you, nor any immediate or remote successor to any part of your interest in this Agreement, nor any individual, partnership, corporation, or other legal entity which directly or indirectly owns any interest in you will sell, encumber, assign, transfer, convey, pledge, merge or give away any direct or indirect interest in this Agreement, in you, or in all or substantially all of the assets of the Franchised Business (collectively, a "Transfer"), unless you first comply with Sections 12.3 and 12.4, and obtain our prior express written consent. Any transaction requiring our consent under this Section 12.2 for which our express written consent is not first obtained will be void, as between you and us. In that event: we may terminate this Agreement under Section 13.2; you will remain responsible for performing the post-termination obligations in Section 14; and your transferee may not operate the Franchised Business under the Marks or the System.

12.3 **Conditions**. We may, to the extent permitted by applicable law, condition and withhold our consent to a Transfer, when required under Section 12.2 until the transferee and you meet certain conditions. If a Transfer is to occur: (a) the proposed transferee must qualify to be a franchisee in our sole discretion; (b) you or the proposed transferee must provide to us in writing the circumstances of the proposed Transfer; (c) the proposed transferee must provide the same supporting documents as a new franchise applicant; (d) you or the proposed transferee must pay a transfer fee equal to one-half the initial franchise fee we would then charge a new franchisee; (e) the proposed transferee must sign the form of franchise agreement we then offer to prospective franchisees; (f) the proposed transferee and its manager must complete to our satisfaction the initial training we then require for new franchisees and their managers; (g) you or the proposed transferee must refurbish the Unit to conform to our then-current standards and specifications; (h) we must receive general releases from you and each of your owners, and payment of all amounts then owed to us and our affiliates by you, your owners, your affiliates, the transferee, its owners and affiliates, under this Agreement or otherwise; (i) you must not be in default under this Agreement or any other agreement with us or any of our affiliates; (j) you must give us at least 30 days prior written notice of any proposed Transfer; (k) you must provide us with any information about you, your owners, the proposed Transfer, and the proposed transferee as we may reasonably request; (l) the proposed transferee must assume your gift and loyalty card obligations; and (m) the proposed transferee must qualify to be a tenant and be approved by your landlord. Our consent to the transaction will not be effective until these conditions are satisfied.

12.4 Right of First Refusal. Any individual or entity holding any direct or indirect interest in this Agreement or in a substantial portion of the assets of the Unit or in you (if you are an entity) and who desires to accept any bona fide offer from a third party to purchase the relevant interest or assets will notify us in writing of each offer, and will provide any information and documentation relating to the offer as we may require. We will have the right and option, exercisable within 15 days after receipt of this written notification, to send written notice to the seller that we or a nominee designated by us intend to purchase the seller's interest on the same terms and conditions offered by the third party. If we or our nominee elect to purchase the seller's interest, closing of the purchase will occur within 45 days from the date of notice to the seller of the election to purchase by us or our nominee. If we decline to purchase the seller's interest, the seller will have 75 days from the date it gives written notice to us of its purchase offer to sell its interest on the same terms and conditions and to the same transferee as described to us in the written notice. Any material change thereafter in the terms of the offer from a third party will constitute a new offer which will be subject to our right of first refusal under this Agreement. Our failure to exercise the option afforded by this Section 12.4 will not constitute a waiver of any other provision of this Agreement, including all of the other requirements of Section 12 with respect to the proposed Transfer. If the consideration, terms or conditions offered by a third party are of the type that we, or our nominee, may not reasonably be able to furnish the same consideration, terms or conditions, then we or our nominee may purchase the relevant interest proposed to be sold for the reasonable equivalent in cash. If the parties cannot agree within a reasonable time on the reasonable equivalent in cash of the consideration terms or conditions offered by the third party, then each party will select an independent appraiser. The two appraisers will then have up to 15 business days to agree on a reasonable equivalent in cash. If they cannot agree during that period, then they will jointly select a third independent appraiser, whose decision will be final and binding on the parties.

12.5 Transfer to Controlled Entity. Despite any other provision in this Agreement, you will have the right to transfer this Agreement and the Franchised Business to a new entity organized and controlled by you without any additional payment to us subject to the following provisions: (a) you or all owners of you (if you are an entity) must own all interest in the new entity and no additional ownership interest may be created without our express written consent; (b) the new entity must assume all the obligations of the franchisee under this Agreement; (c) you must be current on all amounts due under this Agreement or otherwise owed to us or our affiliates; (d) you must not be in default under this Agreement or any other agreement with us or any affiliate; (e) all owners must guarantee the new entity's payment and performance under this Agreement in the form we require and execute a general release of claims in a form satisfactory to us; and (f) the new entity must execute any assignment and assumption agreements or other documents relating to the Transfer in the forms we require.

12.6 Transfer Upon Death or Permanent Disability. You agree to promptly notify us of any death or claim of permanent disability subject to this Section 12.6. Any transfer upon death or permanent disability shall be subject to the following conditions, as well as to the general transfer conditions described elsewhere in this Section 12 for any inter vivos transfer.

(1) Upon your death (if you are a natural person) or the death of any of your owners who is a natural person (the "Deceased"), the executor, administrator or other personal representative of the Deceased shall transfer such interest to a third party approved by us within six (6) months after the date of death. If no personal representative is designated or appointed or no probate proceedings are instituted with respect to the estate of the Deceased, then the distributee of such interest must be approved by us. If the distributee is not approved by us, then the distributee shall transfer such interest to a third party approved by us within six (6) months after the death of the Deceased.

(2) Upon your permanent disability (if you are a natural person) or the permanent disability of any of your owners who is a natural person, we may, in our sole discretion, require that person's interest to be transferred to a third party in accordance with the conditions described in this Section 12 within six (6) months after notice to you. "Permanent disability" shall mean any physical, emotional or mental injury, illness or incapacity which would prevent a person from performing the obligations set forth in this Agreement or in the guaranty made part of this Agreement for at least ninety (90) consecutive days and from which condition recovery within ninety (90) days from the date of determination of disability is unlikely. Permanent disability shall be determined by a licensed practicing physician selected by us, upon examination of the person, or if the person refuses to submit to an examination, then such person automatically shall be deemed permanently disabled as of the date of such refusal for the purpose of this Section 12.6. We will pay the costs of any examination required by this Section 12.6.

SECTION 13: DEFAULT AND TERMINATION

13.1 Termination by Us without Right to Cure. We may terminate this Agreement for good cause effective immediately upon delivery of notice of termination to you, upon the occurrence of any of the following conditions: (a) you or any guarantor are judged as bankrupt, become insolvent, make an assignment for the benefit of creditors, are unable to pay your debts as they become due, a petition under any bankruptcy law is filed against you, or a receiver or other custodian is appointed for a substantial part of the assets of the Unit; (b) you or any of your owners are convicted of a felony or other crime which may impair the goodwill associated with the Marks in your market area; (c) you or your owners made any material misrepresentation or omission in the application for the Franchise; (d) you make or attempt to make an unauthorized Transfer; (e) the interest in a Unit or this Agreement of a deceased or incapacitated person is not timely Transferred in accordance with the terms of this Agreement; (f) you intentionally understate the Unit's revenues in any report or financial statement; (g) you commit any 2 or more defaults under this Agreement within any 12-month period, regardless of whether any default is cured; (h) you fail to actively operate the Franchised Business for 5 or more consecutive business days unless the Unit is closed because of a casualty or government order, or unless you have our express written approval; (i) you default under any loan, lending agreement, mortgage, deed of trust or lease with any party covering the Unit's premises, and the other party treats the relevant act or omission as a default, and you fail to timely cure the default; (j) you fail to sign a lease for the Unit or begin operating the Unit within the time periods specified in this Agreement; (k) you sell, offer for sale, or give away at the Unit any items or services which have not been previously approved by us in writing, or which have been subsequently disapproved, and you fail to cease these sales or gifts within 24 hours after receipt of notice by us; (l) you or any of your affiliates suffer termination of any other agreement with us or any of our affiliates (provided that we may, at our option and following final notice to you of the termination of another agreement, elect to terminate one or more of your then-existing agreements, or none of your agreements, upon written notice to you); (m) you intentionally maintain false books and records or submit a materially false report to us; (n) you contest in court the ownership or right to franchise and/or any part of the System or the validity of any of the Marks; (o) you operate your business in a manner that endangers the health or safety of the public or your customers, or that violates applicable laws, (p) your assets are condemned, expropriated, seized or otherwise taken over by a governmental authority, (q) you fail to obtain or maintain required insurance coverage, or (r) your initial Manager does not, in our sole opinion, successfully complete, or will not be able to successfully complete, the initial training program to our satisfaction, and you fail to promptly tender a substitute initial Manager who can complete the training program to our satisfaction. The satisfaction of any of these conditions will be deemed to be a material uncurable default under this Agreement.

13.2 <u>Termination by Us With 10-Day Cure Period</u>. If you fail or refuse to timely pay any amounts owed to us or any of our affiliates, we may, at our option, terminate this Agreement by giving you 10 days' written notice of default. If you do not cure the default within this 10-day period, we may terminate this Agreement for good cause effective upon delivery of notice of termination to you.

13.3 <u>Other Termination by Us</u>. Except as provided in Sections 13.1 and 13.2, if you commit a default under any terms or provisions of this Agreement (including, but not limited to, any failure to comply with System Standards as described in Section 3.19), we, at our option, may terminate this Agreement by giving you 30 days' written notice of default. If you do not cure the default within this 30-day period, we may terminate this Agreement for good cause effective upon delivery of notice of termination to you.

13.4 Liquidated Damages for Lost Future Royalties. If you discontinue, renounce or abandon your operations under this Agreement or we otherwise terminate this Agreement due to any material default by you, then, in addition to, and not in lieu of, our other rights and remedies under this Agreement, you may be required to pay us liquidated damages in an amount calculated as: (a) 4.5% of your Unit's average monthly Gross Sales during the 24 months (or the total number of months your Unit has been open, if less than 24 months) immediately prior to your Unit's closure or termination of this Agreement, whichever is earlier; (b) multiplied by the number of months left in the term of this Agreement. Such amount shall be due and payable to us in one lump sum payment promptly upon our written request for such payment.

13.5 Additional Remedies. We may deny you the benefits of the System for any default under this Agreement, and discontinue System benefits to you for the duration of the default. We may institute proceedings to collect amounts due under this Agreement without first issuing a default or termination notice, and we may initiate a lawsuit or other legal action in any applicable jurisdiction to seek specific performance of your obligations under this Agreement, including, but not limited to, your obligations to comply with the System Standards. Our consent or approval as may be required under this Agreement or the System Standards may be withheld while you are in default under this Agreement or may be conditioned on the cure of all of your defaults. Our termination of this Agreement pursuant to this Section 13 will be in addition to all other remedies, in law or in equity, available to us.

13.6 Governing State Law. If a longer notice or cure period or a different good cause standard is prescribed by applicable law, then this law will apply to any termination of this Agreement.

13.7 Termination by You. You may terminate this Agreement if we have committed a material breach this Agreement and have failed to cure the breach within 90 days after we receive written notice of the breach from you.

SECTION 14: RIGHTS AND OBLIGATIONS UPON EXPIRATION OR TERMINATION

14.1 Payment of Amounts Due to Us. Upon expiration or termination of this Agreement, you will pay all amounts owed to us under this Agreement within 10 days. You will continue to owe us royalty fees and marketing fees on Gross Sales as long as your operations are identified under the System or any Marks. At the time you make payments to us following termination, you will provide us with a complete accounting of all amounts due.

14.2 System Usage Ceases. Upon expiration or termination of this Agreement, you will immediately stop using the System to operate your business. You must return to us, within 10 days after expiration or termination, all of our proprietary software (including archive and backup copies), all copies of the Manual and training materials, Confidential Information, and all other personal property of ours which are in your possession, custody or control. If you fail to completely do so, we have the right, to the extent permitted by applicable law and without prior notice, to enter your premises and any other locations, and remove these items. You must also delete from your computer equipment any electronic versions of the Manuals and all other Confidential Information.

14.3 <u>Mark Usage Ceases</u>. Upon expiration or termination of this Agreement, you will immediately stop using the Marks to operate and identify your business, and all of your rights relating to the Marks are immediately assigned and revert to us. You will sign any documents we request in this regard, without additional consideration.

14.4 <u>Change of Identification</u>. Upon expiration or termination of this Agreement, you will remove or obliterate the Marks from all products, marketing materials, supplies, signage and other items bearing any Marks, and you will follow the other steps we may require in the Manuals or otherwise in writing for changing the identification of your operations. You will promptly paint over or remove the distinctive System trade dress, color schemes, signage and other physical features. You will not use any reproduction, counterfeit copy, or colorable imitation of the Marks either in connection with any business or the promotion thereof, which is likely to cause confusion, mistake, or deception or which is likely to dilute our exclusive rights in and to the Marks, and you will not utilize any designation of origin or description or representation which falsely suggests or represents an association or connection with us so as to constitute unfair competition. You will make any modifications or alterations to the Unit premises immediately upon expiration or termination of this Agreement as may be necessary to prevent any association between us or the System and any business later operated by you or others, and will make specific additional changes thereto as we may reasonably request for that purpose. If you fail or refuse to comply with the requirements of this Section 14.4, we will have the right to enter upon the Unit premises to make or cause to be made the changes as may be required at your expense which expense you agree to pay upon demand. We will exercise reasonable care in making these changes, but we will have no obligation or liability to restore your premises to its condition before we make these changes. We will have the right to remove or obliterate the Mark-bearing portion of your supplies and equipment, and you will promptly pay or reimburse us for our costs of doing so.

14.5 <u>Transfer of Telephone Numbers, e-mail Addresses and Web Site Pages</u>. Upon expiration or termination of this Agreement, you will immediately, upon our demand, cease to use any telephone numbers, email addresses and Internet web site pages or accounts (including social networking sites like Facebook, My Space and Twitter) obtained or used in connection with the Franchised Business, and you will transfer these telephone numbers, email addresses and Internet web site pages/accounts to us or our designee. You will immediately notify the telephone company and any applicable email or Internet provider of any transfer, and you will use your best efforts to assist us in an orderly transfer.

14.6 Cancellation of Assumed Name Registration. Upon expiration or termination of this Agreement, you will take all action necessary to cancel or assign to us or our designee any assumed name or equivalent registration which contains any Mark, and you will furnish us with evidence satisfactory to us of compliance with this obligation within 30 days after expiration or termination of this Agreement. If you fail or refuse to do so, we may, in your name, on your behalf, and at your expense, sign any necessary documents, and you hereby irrevocably appoint us as your attorney-in-fact to effectuate the foregoing obligation.

14.7 Non-Competition. In order to protect our proprietary trade secrets and other Confidential Information and in consideration of our providing you with specialized training and access to our trade secrets and other Confidential Information, you, your owners and Managers will not, for a period of 2 years following termination or expiration of this Agreement or following a Transfer: (a) engage in, assist, acquire, advise, consult with, be employed by, own or become associated in any way with any business whose methods of operation, trade dress, or business concept is the same as or similar to that of the System or the Marks, or which sells primarily gelato; (b) engage in, assist, acquire, advise, consult with, be employed by, own or become associated in any way with any business which sells gelato and which is located within a radius of 25 miles from your former Unit location, or the location of any Units of any of our affiliates or other franchisees; (c) solicit or otherwise induce our employees or the employees of any of our affiliates or other franchisees to leave their employment; and (d) divert or attempt to divert any customer of ours or any of our affiliates or franchisees to any competitor. The parties agree that each of the foregoing covenants will be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Section 14.7 is held unreasonable or unenforceable by a court or agency having valid jurisdiction in a final decision to which we are a party, you expressly agree to be bound by any lesser covenant subsumed within the terms of the relevant covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Section 14.7.

14.8 Right to Purchase Assets. We will have the right (but not the obligation), to be exercised by notice of intent to do so within 30 days after termination or expiration of this Agreement, to purchase for cash any of the assets of the Unit including inventory, furnishings, fixtures, equipment, products, supplies, interior and exterior signs, and marketing materials, as well as all items bearing our Marks, at your cost or fair market value, whichever is less, subject to our acceptance of the applicable price. The purchase price will not include any value for any goodwill or going concern value associated with the Franchised Business. If the parties cannot agree on fair market value within 15 days after we provide you with our notice of intent to purchase, each party will designate an independent professionally trained and certified business asset appraiser, and the appraisers' joint determination of fair market value will be binding as to fair market value of the relevant assets. If the appraisers cannot agree on fair market value, then the average of the appraisals will be binding as to fair market value of the relevant assets. If we elect to exercise our right to purchase assets under this Section 14.8 and accept the price, closing will take place as soon as practicable and within 30 days after the purchase price has been determined. We will have the right to offset all amounts due from you under this Agreement, and our cost of the appraisal, if any, against any payment therefor. We also have the right to an assignment of your lease for the Unit premises, if provided for in your lease under Section 2.3. Upon our written request for assignment of your lease, you will promptly cooperate with us to effectuate the assignment as soon as practicable. At all times after we have given written notice for assignment of your lease, you hereby authorize us to use the Unit premises and other assets of the Unit for the continued operation of the Unit for our own account, for which we will pay you the applicable rent and utility expenses.

14.9 Survival of Certain Provisions. Sections 3.12, 3.13, 3.17, 5, 6, 7, 8, 9, 10, 11, 14, 15 and 16 survive termination or expiration of this Agreement or a Transfer by you, regardless of whom initiates termination or whether termination is wrongful. You will continue to comply with your obligations under these sections following termination or expiration of this Agreement or a Transfer by you until these obligations, by their nature or by the relevant express provisions, expire.

SECTION 15: DISPUTE RESOLUTION

15.1 Informal Dispute Resolution. Before initiating any mediation or litigation proceeding for any dispute arising under or relating to this Agreement or otherwise relating to the Franchised Business, the party intending to initiate the proceeding will notify the other party in writing of the existence and nature of the dispute. Within 15 business days after the other party's receipt of the notice, one of our officers or managers will meet with you, or if you are an entity, one of your owners, officers or Managers, at our principal place of business, or other mutually agreeable location, to negotiate in good faith in an effort to resolve the dispute amicably. If this informal attempt to resolve the dispute is unsuccessful, either party may initiate mediation as described in Section 15.2.

15.2 MEDIATION AND LITIGATION.

A. MEDIATION. WE AND YOU ACKNOWLEDGE THAT DURING THE TERM OF THIS AGREEMENT CERTAIN DISPUTES MAY ARISE THAT WE AND YOU ARE UNABLE TO RESOLVE, BUT THAT MAY BE RESOLVABLE THROUGH MEDIATION. TO FACILITATE SUCH RESOLUTION, YOU AND WE AGREE TO SUBMIT ANY CLAIM, CONTROVERSY OR DISPUTE BETWEEN US OR ANY OF OUR AFFILIATES (AND OUR AND THEIR RESPECTIVE OWNERS, OFFICERS, DIRECTORS, AGENTS, REPRESENTATIVES AND/OR EMPLOYEES) AND YOU (AND YOUR OWNERS, AGENTS, REPRESENTATIVES AND/OR EMPLOYEES) ARISING OUT OF OR RELATED TO (a) THIS AGREEMENT OR ANY OTHER AGREEMENT BETWEEN US AND YOU, (b) OUR RELATIONSHIP WITH YOU, OR (c) THE VALIDITY OF THIS AGREEMENT OR ANY OTHER AGREEMENT BETWEEN US AND YOU, TO NON-BINDING MEDIATION BEFORE BRINGING

SUCH CLAIM, CONTROVERSY OR DISPUTE IN A COURT OR BEFORE ANY OTHER TRIBUNAL.

(1) THE MEDIATION SHALL BE CONDUCTED BY A MEDIATOR AGREED UPON BY YOU AND US AND, FAILING SUCH AGREEMENT WITHIN NOT MORE THAN FIFTEEN (15) DAYS AFTER EITHER PARTY HAS NOTIFIED THE OTHER OF ITS DESIRE TO SEEK MEDIATION, A MEDIATOR SELECTED BY THE AMERICAN ARBITRATION ASSOCIATION OR ANY SUCCESSOR ORGANIZATION ("AAA") IN ACCORDANCE WITH ITS RULES GOVERNING MEDIATION. MEDIATION SHALL BE HELD AT THE OFFICES OF THE AAA NEAREST TO OUR PRINCIPAL PLACE OF BUSINESS, WHICH IS CURRENTLY IN DALLAS, TEXAS. THE COSTS AND EXPENSES OF MEDIATION, INCLUDING THE COMPENSATION AND EXPENSES OF THE MEDIATOR (BUT EXCLUDING ATTORNEYS' FEES INCURRED BY EITHER PARTY), SHALL BE BORNE BY THE PARTIES EQUALLY.

(2) IF THE PARTIES ARE UNABLE TO RESOLVE THE CLAIM, CONTROVERSY OR DISPUTE WITHIN 45 DAYS AFTER THE MEDIATOR HAS BEEN CHOSEN, THEN, UNLESS SUCH TIME PERIOD IS EXTENDED BY WRITTEN AGREEMENT OF THE PARTIES, EITHER PARTY MAY BRING A LEGAL PROCEEDING PURSUANT TO SECTION 15.2(B). WE AND YOU AGREE THAT STATEMENTS MADE BY EITHER YOU OR US IN ANY SUCH MEDIATION PROCEEDING WILL NOT BE ADMISSIBLE FOR ANY PURPOSE IN ANY SUBSEQUENT LEGAL PROCEEDING.

(3) NOTWITHSTANDING THE FOREGOING PROVISIONS OF THIS SECTION 15.2(A), YOUR AND OUR AGREEMENT TO MEDIATE SHALL NOT APPLY TO CONTROVERSIES, DISPUTES OR CLAIMS RELATED TO OR BASED ON THE MARKS OR THE CONFIDENTIAL INFORMATION. MOREOVER, REGARDLESS OF YOUR AND OUR AGREEMENT TO MEDIATE, YOU AND WE EACH HAVE THE RIGHT IN A PROPER CASE TO SEEK TEMPORARY RESTRAINING ORDERS AND TEMPORARY OR PRELIMINARY INJUNCTIVE RELIEF.

B. LITIGATION. WITH RESPECT TO ANY CONTROVERSIES, DISPUTES OR CLAIMS WHICH ARE NOT FINALLY RESOLVED THROUGH MEDIATION AS PROVIDED IN SECTION 15.2(A) ABOVE, THE PARTIES IRREVOCABLY SUBMIT THEMSELVES TO THE JURISDICTION OF THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF TEXAS – DALLAS DIVISION OR THE STATE COURTS OF TEXAS, DALLAS COUNTY OR THE FEDERAL OR STATE COURT FOR THE JURISDICTION IN WHICH WE THEN HAVE OUR PRINCIPAL OFFICE AND HEREBY WAIVE ALL QUESTIONS OF PERSONAL JURISDICTION FOR THE PURPOSE OF CARRYING OUT THIS PROVISION. YOU AND WE AGREE THAT SERVICE OF PROCESS MAY BE MADE UPON YOU OR US IN ANY PROCEEDING RELATING TO OR ARISING OUT OF THIS AGREEMENT OR THE RELATIONSHIP CREATED BY THIS AGREEMENT BY ANY MEANS ALLOWED BY TEXAS OR FEDERAL LAW. YOU AND WE FURTHER AGREE THAT VENUE FOR ANY

PROCEEDING RELATING TO OR ARISING OUT OF THIS AGREEMENT SHALL BE DALLAS COUNTY, TEXAS; PROVIDED THAT WE HAVE THE OPTION TO BRING SUIT AGAINST YOU INVOLVING ANY CLAIM FOR INJUNCTIVE RELIEF OR THE RECOVERY OF ANY INTEREST IN REAL PROPERTY, IN ANY STATE OR FEDERAL COURT HAVING PROPER JURISDICTION OVER SUCH MATTERS, INCLUDING THE COURTS OF YOUR HOME STATE.

C. GOVERNING LAW. EXCEPT TO THE EXTENT GOVERNED BY THE UNITED STATES TRADEMARK ACT OF 1946 (LANHAM ACT, 15 U.S.C. SECTIONS 1051 ET SEQ.) OR OTHER FEDERAL LAW, THIS AGREEMENT, THE FRANCHISE, AND ALL CLAIMS ARISING FROM THE RELATIONSHIP BETWEEN US AND YOU WILL BE GOVERNED BY AND INTERPRETED AND CONSTRUED UNDER TEXAS LAW (EXCEPT FOR TEXAS CONFLICT OF LAW RULES).

D. PARTIES' ACKNOWLEDGMENTS. YOU AND WE ACKNOWLEDGE THAT THE AGREEMENTS REGARDING APPLICABLE STATE LAW AND FORUM SET FORTH ABOVE PROVIDE EACH OF US WITH THE MUTUAL BENEFIT OF UNIFORM INTERPRETATION OF THIS AGREEMENT AND ANY DISPUTE ARISING OUT OF THIS AGREEMENT OR THE RELATIONSHIP CREATED BY THIS AGREEMENT. YOU AND WE FURTHER ACKNOWLEDGE THE RECEIPT AND SUFFICIENCY OF MUTUAL CONSIDERATION FOR SUCH BENEFIT.

E. WAIVER OF PUNITIVE DAMAGES. EXCEPT WITH RESPECT TO YOUR OBLIGATION TO INDEMNIFY US PURSUANT TO SECTION 11.1 AND CLAIMS WE BRING AGAINST YOU FOR YOUR UNAUTHORIZED USE OF THE MARKS OR UNAUTHORIZED USE OR DISCLOSURE OF ANY CONFIDENTIAL INFORMATION, WE AND YOU AND YOUR OWNERS WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER AND AGREE THAT, IN THE EVENT OF A DISPUTE BETWEEN YOU AND US, THE PARTY MAKING A CLAIM WILL BE LIMITED TO EQUITABLE RELIEF AND TO RECOVERY OF ANY ACTUAL DAMAGES IT SUSTAINS.

F. LIMITATIONS OF CLAIMS. EXCEPT FOR CLAIMS WE BRING WITH REGARD TO YOUR OBLIGATIONS TO INDEMNIFY US PURSUANT TO SECTION 11.1, ANY AND ALL CLAIMS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE RELATIONSHIP BETWEEN YOU AND US PURSUANT TO THIS AGREEMENT WILL BE BARRED UNLESS AN ACTION IS COMMENCED WITHIN ONE (1) YEAR FROM THE DATE ON WHICH THE ACT OR EVENT GIVING RISE TO THE CLAIM OCCURRED, OR ONE (1) YEAR FROM THE DATE ON WHICH YOU OR WE KNEW OR SHOULD HAVE KNOWN, IN THE EXERCISE OF REASONABLE DILIGENCE, OF THE FACTS GIVING RISE TO SUCH CLAIMS, WHICHEVER OCCURS FIRST.

G. JURY WAIVER. YOU AND WE HEREBY UNCONDITIONALLY AND IRREVOCABLY WAIVE ANY RIGHT TO A JURY TRIAL IN ANY ACTION ARISING

OUT OF OR IN CONNECTION WITH THIS AGREEMENT, THE RELATIONSHIP CREATED BY THIS AGREEMENT, OR ANY OTHER AGREEMENTS BETWEEN YOU AND US OR YOUR AND OUR RESPECTIVE AFFILIATES. THE SCOPE OF THIS WAIVER IS INTENDED TO BE ALL ENCOMPASSING OF ANY AND ALL DISPUTES THAT MAY BE FILED IN ANY COURT. IN THE EVENT OF LITIGATION, THIS AGREEMENT MAY BE FILED AS WRITTEN CONSENT TO A TRIAL BY THE COURT.

H. <u>COSTS AND ATTORNEYS' FEES</u>. IF WE INCUR EXPENSES IN CONNECTION WITH YOUR FAILURE TO PAY WHEN DUE AMOUNTS OWED TO US, OR TO SUBMIT WHEN DUE ANY REPORTS, INFORMATION OR SUPPORTING RECORDS, OR OTHERWISE TO COMPLY WITH THIS AGREEMENT, YOU AGREE TO REIMBURSE US FOR ANY OF THE COSTS AND EXPENSES WHICH WE INCUR, INCLUDING, WITHOUT LIMITATION, COURT COSTS AND ANY ACCOUNTING, ATTORNEYS', MEDIATORS', AND RELATED FEES.

15.3 <u>Provisional Remedies</u>. Notwithstanding the provisions of Sections 15.1 and 15.2(A), each party will have the right to seek from an appropriate court any injunctive relief or other provisional remedies, including declaratory relief, specific enforcement, temporary restraining orders or preliminary injunctions, before, during, after or instead of informal dispute resolution or mediation for protection of the Marks and other intellectual property, enforcement of confidentiality and non-competition obligations, or enforcement of post-term obligations. Neither party is required to await the outcome of any informal dispute resolution or mediation before seeking injunctive relief or other provisional remedies. The seeking of injunctive relief or other provisional remedies will not be deemed to be a waiver of either party's right to compel informal dispute resolution or mediation. You acknowledge that any failure to fully and strictly comply with Section 3.18, Section 8 or Section 14 will result in irreparable injury to us for which there is no adequate remedy at law, and you agree that, in the event of any noncompliance with any of Section 14, we will be entitled to temporary, preliminary and permanent injunctions and all other equitable relief that any court with jurisdiction may deem just and proper. Any action seeking injunctive relief or other provisional remedies will be brought in any state or federal court within the jurisdiction in which we then have our principal office, or in any other state court or federal district court with proper jurisdiction. The parties consent to the exercise of personal jurisdiction over them by these courts, and to the propriety of venue in these courts for the purpose of this Section 15.3, and the parties waive any objections that they would otherwise have in this regard. Both parties waive the posting of any bond in connection with any injunctive relief or other provisional remedy.

15.4 <u>Costs of Enforcement</u>. If either party secures any provisional remedy pursuant to Section 15.3, or enforces any provision of this Agreement, or collects any amounts due under this Agreement by or through an attorney at law or collection agency, the other party will be liable for all costs and expenses of enforcement and collection including court costs and reasonable attorneys' fees and expenses (including the fair market value of any time expended by any in-house legal counsel employed by us).

15.5 No Objection to Jurisdiction. The parties agree that it is in their best interest to resolve disputes between them in an orderly fashion and in a consistent manner in the location where this Agreement was entered into and where many of the relevant witnesses and documents are located. Therefore, the parties agree that any litigation relating to this Agreement or the operation of the Franchised Business will take place in the location and courts specified in Section 15.2(B). The parties consent to the exercise of personal jurisdiction over them by such courts, and to the propriety of venue in these courts for the purpose of this Agreement, and the parties waive any objections that they would otherwise have in this regard. Each of the parties specifically waives any defense of inconvenient forum to the maintenance of any action or proceeding so brought and waives any bond, surety, or other security that might be required of any other party with respect thereto.

15.6 Waivers. THE PARTIES WAIVE ANY RIGHT TO BRING CLAIMS RELATED TO THIS AGREEMENT AS A CLASS ACTION OR ON A CONSOLIDATED BASIS. IT IS THE INTENT OF THE PARTIES THAT ANY MEDIATION OR LITIGATION BETWEEN THEM WILL BE OF INDIVIDUAL CLAIMS, AND THAT THE CLAIMS SUBJECT TO MEDIATION OR LITIGATION WILL NOT BE RESOLVED AS A CLASS ACTION OR ON A CONSOLIDATED BASIS. THE PARTIES AGREE THAT ACTUAL DAMAGES ARE SUFFICIENT TO SATISFY ANY ECONOMIC LOSS ARISING OUT OF OR UNDER THIS AGREEMENT, AND THEY WAIVE ALL CLAIMS FOR PUNITIVE OR EXEMPLARY DAMAGES IN ANY MEDIATION OR LITIGATION.

SECTION 16: GENERAL PROVISIONS

16.1 Partial Invalidity. If all or any part of a provision of this Agreement violates applicable law, the relevant provision or part will not be given effect. If all or any part of a provision of this Agreement is declared invalid or unenforceable, for any reason, or is not given effect by reason of the prior sentence, the remainder of the Agreement will not be affected, and the parties will modify the invalid or unenforceable provision to the extent required to be valid and enforceable. However, if in our judgment this result substantially impairs the value of this Agreement to us, then we may at any time terminate this Agreement by written notice to you, without penalty or compensation owed by either party.

16.2 Waivers, Modifications and Approvals. Whenever this Agreement requires our prior approval or consent, you will make a timely written request to us therefor, and we may withhold, condition or withdraw our consent in our sole discretion. If we allow you to deviate from this Agreement, we may insist on strict compliance at any time after written notice. Our silence or inaction will not be or establish a waiver, consent, course of dealing, implied modification or estoppel. To be effective, any modifications, waivers, approvals and consents of or under this Agreement by us must be designated as such, in writing, and signed by our authorized representative.

16.3 Notices. Unless otherwise specified in this Agreement, all notices, reports and other information and documents permitted or required to be delivered under this Agreement will be in writing and delivered to us at 1215 Viceroy Drive Dallas, Texas 75247, fax number 214-654-9509, email address ugo@paciugo.com, or to you at the address, fax number or email address of the franchisee listed on the signature page of this Agreement. Either party may modify its address, fax number or email address for notices from time to time by written notice to the other party sent by certified or registered first class mail, return receipt requested. Notices will be effective if in writing and delivered to the appropriate party by first class, prepaid certified or registered mail, return receipt requested, or by fax or email. Notices sent by mail will be effective on the date delivered or date of first attempted delivery, if delivery is refused. Notices sent by fax or email will be effective on the date sent. For purposes of this provision, notices sent by fax or email will be deemed to be in writing.

16.4 Remedies. Remedies specified in this Agreement are cumulative and the exercise of any remedy under this Agreement does not exclude any remedies available at law or in equity. The non-prevailing party will pay all costs and expenses, including reasonable attorneys' fees, incurred by the prevailing party to enforce this Agreement or collect amounts owed under this Agreement.

16.5 Force Majeure. Despite anything in this Agreement to the contrary, neither party will be in default under the Agreement by reason of its delay in performance of, or failure to perform, any of its obligations under this Agreement, if this delay or failure is caused by strikes or other labor disturbance; acts of God; terrorist acts; riots or other civil disturbances; fire; flood; interference by civil or military authorities; compliance with governmental laws, rules, or regulations which were not in effect and could not be reasonably anticipated as of the date of this Agreement; delays in transportation, failure of delivery by suppliers, or inability to secure necessary governmental priorities for materials; or any other fault beyond its control or without its fault or negligence. In this case, the time required for performance of the relevant obligation will be the duration of the unavoidable delay.

16.6 Miscellaneous. This Agreement takes effect upon its acceptance and execution by us in Texas. Except as expressly provided in this Agreement, there are no third party beneficiaries. No agreement between us and anyone else is for your benefit. The section headings in this Agreement are for convenience of reference only. All references in this Agreement to Sections or Exhibits refer to the relevant sections and exhibits, respectively, of this Agreement. This Agreement, together with the exhibits and any addenda attached, is the entire agreement, and supersedes all prior representations, agreements and understandings (oral or written) of the parties, provided, however, that nothing in this or any related agreement is intended to disclaim the representations made in the franchise disclosure document that we furnished to you. This Agreement may be signed in one or more counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument. Except as expressly provided in this Agreement, this Agreement is binding on and will inure to the benefit of the parties hereto and their respective legal representatives, successors and assigns. Time is of the essence.

16.7 State Addenda. The laws of certain states may supersede some of the provisions of this Agreement, and certain states require us to supplement or modify the provisions of this Agreement. If applicable, these supplements and modifications are contained in State Addenda attached as *Exhibit B*. When you sign this Agreement, you will also sign a state-specific addendum if appropriate. If multiple state addenda are made part of this Agreement, these state addenda will be construed and applied as narrowly as possible, consistent with applicable state law, in order to avoid potential conflicts between them.

SECTION 17: ACKNOWLEDGMENTS

17.1 Accurate Information. You represent that all information in any applications, financial statements and submissions you provided to us is true, complete and accurate in all respects. You acknowledge that we are relying upon the truthfulness, completeness and accuracy of that information in our decision to enter into this Agreement with you.

Your initials: ________________

17.2 Proper Disclosure. You acknowledge that we or our agent have provided you with our current disclosure document not later than the earlier of: (a) 14 calendar days before the execution of this Agreement or any other binding agreement with us or any of our affiliates, or (b) 14 calendar days before any payment of any consideration to us or any of our affiliates in connection with this transaction. You acknowledge that we have provided you with a copy of this Agreement and all related documents, fully completed (with the possible exception of names, addresses and other non-material items), at least 7 calendar days before you sign this Agreement.

Your initials: ________________

17.3 Consultation and Understanding. You represent and acknowledge that: (a) you have read and understood this Agreement and our disclosure document; (b) we have fully and adequately explained the provisions of each document to your satisfaction; (c) we have advised you to consult with your own attorneys, accountants, or other advisers about the potential benefits and risks of entering into this Agreement; (d) you have had ample opportunity to consult with advisors of your own choosing; and (e) our attorneys have not advised or represented you with respect to any matters.

Your initials: ________________

17.4 Independent Investigation of Risks. You represent that you have conducted an independent investigation of the business contemplated by this Agreement, and you acknowledge that, like any other business, an investment in the Franchised Business involves unavoidable business risks. You acknowledge that the success of the Franchised Business is primarily dependent upon the business abilities and efforts of you and your Manager and employees.

Your initials: ________________

17.5 <u>No Warranty or Guarantee</u>. You acknowledge that you have not received or relied upon any warranty or guarantee, express or implied, as to the potential revenues, income, profits, volume or success of the business venture contemplated by this Agreement. You acknowledge that you have read this Agreement and our disclosure document, and that you have no knowledge of any representation by us or any of our officers, directors, shareholders, employees or agents that are contrary to the statements made in our disclosure document or contrary to the terms of this Agreement. We expressly disclaim the making of any warranty, guarantee or representations of this type.

Your initials: ________________

17.6 <u>Reasonable Covenants</u>. The covenants not to compete in this agreement are fair and reasonable and will not impose any undue hardship on you or your owners, since you and your owners have other considerable skills, experience and education which afford you and your owners the opportunity to derive income from other endeavors.

Your initials: ________________

17.7 <u>No Other Agreements</u>. You acknowledge that this Agreement, the documents referred to in this Agreement, the attachments hereto, and other agreements signed concurrently with this Agreement, if any, constitute the entire, full and complete Agreement between us and you concerning the subject matter covered in this Agreement. This Agreement terminates and supersedes any prior agreement between the parties concerning the same subject matter, and any oral or written representations which are inconsistent with the terms of this Agreement or our disclosure document.

Your initials: ________________

17.8 <u>No Business Opportunity Representations</u>. You acknowledge that neither we nor any of our officers, directors, shareholders, employees or agents have made any representation that: (a) we may purchase any or all products made, produced, fabricated or modified by you; (b) we guarantee that you will derive income from the Franchised Business which will exceed the initial franchise fee; (c) we guarantee that we will refund all or part of the initial franchise fee if you are not satisfied with the Franchise; or (d) we will provide a sales program or marketing program which will enable you to derive income from the Franchised Business which exceeds the initial franchise fee.

Your initials: ________________

IN WITNESS WHEREOF, the parties have signed and delivered this Agreement as of the Effective Date.

YOU, as Franchisee:

If you are an entity:

Entity name (if any): ______________________________
Entity Type: ______________________________
State of Formation: ______________________________

If you are not an entity, you sign this Agreement on behalf of yourself, individually, and on behalf of any controlled entity you later assign this Agreement to (which requires our written consent).

Franchisee's Address for Notices:

____

____

Telephone number: ______________________________
Fax number: ______________________________
Email address: ______________________________

By: ______________________________
Print Name: ______________________________
Title: ______________________________

By: ______________________________
Print Name: ______________________________
Title: ______________________________

Date Signed: ______________________________

PACIUGO FRANCHISING LP
as Franchisor:
By: Paciugo Management, LLC, its General Partner

By: ______________________________
Name: Ugo Ginatta
Title: Chief Executive Officer

Effective Date: ______________________________

<u>EXHIBIT D TO FRANCHISE DISCLOSURE DOCUMENT</u>

PACIUGO GELATO CAFFE' KIOSK FRANCHISE AGREEMENT

PACIUGO®

Ante Lucrum Nomen

GELATO & CAFFÈ ®

PACIUGO FRANCHISING LP

PACIUGO GELATO CAFFE' KIOSK FRANCHISE AGREEMENT

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PACIUGO GELATO CAFFE' KIOSK
FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT ("Agreement"), dated and effective as of the Effective Date specified on the signature page of this Agreement (the "Effective Date") is between PACIUGO FRANCHISING LP, a Texas limited partnership ("we" or "us"), as franchisor, and the person or entity identified on the signature page of this Agreement, as franchisee ("you"). *Exhibit E* to this Agreement is an Index of Defined Terms, which shows the sections in this Agreement where each relevant term is defined. In consideration of the following mutual promises, the parties agree as follows:

SECTION 1: GRANT

1.1 Grant of Franchise. By virtue of a license from Paciugo Properties LLP, we have the right to use and to license to our franchisees a proprietary and distinctive system relating to the establishment and operation of outlets engaged in the retail sale of gelato, and other food items, beverage items, and other products, and in gelato catering services (the "System"). The System includes, but is not limited to, the items described in Section 6.1 of this Agreement. We also have the right to use and to license to our franchisees certain service marks, trademarks, trade names, trade dress, logos, slogans and commercial symbols used to identify the outlets or particular products and services offered (collectively, the "Marks"). Subject to all of the terms and conditions of this Agreement, we grant to you and you accept the franchise and license (the "Franchise") to use the Marks and the System in the establishment and operation of a Paciugo Gelato Caffè Kiosk shop ("Unit" or "Franchised Business"), beginning on the Effective Date and ending on the expiration or termination of this Agreement.

1.2 Trade Name. You will operate the Franchised Business under the trade name "Paciugo" or other trade name that we expressly authorize in writing. You will not adopt alternative, additional or secondary trade names unless you have our prior express written consent.

1.3 Approved Location.

(a) **Approved Location.** The Franchise granted by this Agreement is limited to a single Unit at the specific location ("Approved Location") set forth on *Exhibit A*. The Unit must be located at the Approved Location. If a particular site has not been selected and approved at the time of execution of this Agreement, *Exhibit A* may describe the Approved Location in general terms. In that case, after we have approved a location for your Unit, the specific address of that location will automatically become the Approved Location as if originally set forth in *Exhibit A* instead of the general description. Other than in connection with approved catering operations pursuant to the System, you have no rights under this Agreement to use, and you will not use, the System or Marks at any other location, without our prior express written consent. You will not relocate the Unit without our prior express written consent.

(b) **Opening Deadline.** If you are not able to sign a Lease Agreement for the Unit within 6 months after you sign this Agreement, or you are not able to open the Unit and begin business at an approved location within 6 months after you sign a Lease Agreement for the Unit, then we may, at our option, terminate this Agreement upon written notice to you.

(c) **One Location; Relocation.** Other than in connection with approved catering operations, which must be performed pursuant to, and in accordance with, the System Standards, you have no rights under this Agreement to use, and you will not use, the System or Marks at any other location, without our prior express written consent. You will not relocate the Unit without our prior express written consent.

1.4 Territory.

(a) **Protected Territory.** During the term of this Agreement, neither we nor any of our affiliates will establish or operate, or franchise any entity to establish or operate, a Unit using the Marks and System at any location within the market area ("Protected Territory") set forth on *Exhibit A,* subject to certain exceptions below. If a particular site has not been selected and approved at the time of execution of this Agreement, *Exhibit A* will describe the Protected Territory in general terms. In that case, we may unilaterally substitute a more detailed description of the relevant market area after we have approved a location for your Unit, and, if we do, the detailed description will automatically become the Protected Territory as if originally set forth in *Exhibit A* in place of the general description. You acknowledge and agree that the Franchise is nonexclusive. Other than the limited rights expressly granted to you under this Agreement in the Protected Territory, we (on behalf of our affiliates and us) reserve all rights to use the Marks and System, including the following rights, in any manner and on any terms and conditions we deem advisable, and without granting you any rights, accommodation or compensation:

(1) to own, acquire, establish and/or operate, and license others to establish and operate, businesses using the Marks and System outside the Protected Territory (even if there may be some impact to your business within the Protected Territory);

(2) to own, acquire, establish and/or operate, and license others to establish and operate, businesses under other proprietary marks or other systems, at any location within or outside the Protected Territory (even if these businesses are in competition with you);

(3) to sell or distribute, at retail or wholesale or otherwise, directly or indirectly, or license others to sell or distribute, any products which bear any proprietary marks, including the Marks, outside the Protected Territory;

(4) to sell products to wholesale customers, to own, acquire, establish and/or operate, and license others to establish and operate, businesses using any proprietary marks or systems (including the Marks and System) at any airport, train station, other transportation facility, arena, ballpark, stadium, racetrack, other sports facility, movie theater, auditorium, concert hall, theme park, amusement park, cruise ship, casino, or other entertainment facility, or within any grocery store or department store, within or outside the Protected Territory; and

(5) to acquire, or be acquired by, any competing system, including a competing system that has one or more units within your Protected Territory.

(b) **Catering.** If you choose to offer catering services, you may offer and provide catering services under the System to customers at any locations other than locations contained within the Protected Territory of another Paciugo franchisee (unless authorized by us in advance and in writing). All catering services must be conducted in accordance with, and all catered products must conform to, the System Standards.

1.5 Franchised Business and System Standards. The Franchise granted by this Agreement is limited to the operation of a Unit in strict accordance with the provisions of this Agreement and the standards we specify in writing, as they may be periodically amended, modified, supplemented or deleted, which we impose on our franchisees in connection with participation in the System, including all mandatory and suggested specifications, policies, rules, designs, layouts, advertising and marketing requirements (including social media requirements), techniques and procedures we promulgate about System operation or usage (collectively, the "System Standards"). You have no rights under this Agreement to use, and you will not use, the System, Marks or Unit premises in connection with any other business, activities, or unapproved products or services. You acknowledge and agree that, because absolute uniformity is not possible, we have the right to vary standards for any franchisee based on particular circumstances without granting any other franchisee similar variances. The Franchise granted by this Agreement is limited to the selling of the approved products and services at retail. You have no rights under this Agreement to sell, and you will not sell, any products at wholesale or to any purchaser whom you know (or have reasonable grounds to suspect) intends to resell the products unless you receive our prior written consent to such sale. Any such sale must be conducted in accordance with our System Standards.

1.6 Initial Term. The initial term of this Agreement begins on the Effective Date and will continue for a term of 10 years, unless terminated sooner by either party. You have no rights under this Agreement to use, and you will not use, the System or Marks after expiration or termination of this Agreement. Some of your duties and obligations under this Agreement will survive after expiration or termination of this Agreement.

1.7 Renewal Option. You have the option to renew the Franchise for up to 2 additional terms of 5 years each, if you satisfy each of the following conditions:

(a) At least 6 months (but no more than 9 months) before the end of the initial term or the first renewal term, as the case may be, you must give us written notice of your desire to renew, and you must pay us a renewal fee equal to the greater of $12,500 or 50% of our then-current standard initial franchise fee.

(b) At least 2 months (but no more than 6 months) before the end of the initial term or the first renewal term, as the case may be, you must upgrade your Unit to make it consistent with the then-current System Standards for new Units.

(c) At the time that you give us your renewal notice and at the end of the initial term or the first renewal term, as the case may be, you must not be in default of any provision of this Agreement or any other agreement you have with us or any of our affiliates, and you must have substantially complied with all the provisions of this Agreement and any other relevant agreements during their respective terms.

(d) At least 1 month before the end of the initial term or the first renewal term, as the case may be, you must sign the then-current version of our franchise agreement, which will completely supersede this Agreement. The provisions of that agreement may be significantly different from the provisions of this Agreement, and they might not be as favorable to you; however, you will not be required to pay the then-current initial franchise fee, the initial term of the renewal agreement will be for 5 years, and there will not be any additional options to renew the Franchise (other than the 2 option periods originally granted by this Agreement).

(e) At the end of the initial term or the first renewal term, as the case may be, you (and your Manager, if we require) must satisfy our then-current qualification and training requirements.

(f) At least 1 month before the end of the initial term or the first renewal term, as the case may be, you (and your owners, if we require) must sign and deliver to us a general release in a form we provide of all claims you may have against us and any of our affiliates (and their respective officers, directors, partners, owners, agents, and employees).

1.8 Owner Agreement. To induce us to enter into this Agreement, you must have each of your owners sign and deliver to us the Owner Agreement in the form attached as *Exhibit C* ("Owner Agreement"), if you are an entity.

SECTION 2: LOCATION AND LEASE

2.1 Site Selection. You are responsible for locating and leasing a suitable site for the Unit. Before leasing or purchasing space for your Unit, you must: submit to us a written description of the proposed site for our approval; provide to us other information regarding the proposed site according to the System Standards or as we reasonably request; and verify to us in writing that the proposed site meets our site selection criteria. We will then approve or disapprove the proposed site. If we disapprove the proposed site, you must select an alternate site and repeat the site approval process until we approve a proposed site for your Unit. You acknowledge and agree that our approval of a site does not constitute a representation or warranty that the proposed site will be a profitable location for your Unit.

2.2 Sites in Shopping Malls and Regional Shopping Centers. If the proposed location for your Unit is in a shopping mall or regional shopping center, we will direct the search process, assist you in evaluating the location, and assist you in the negotiation of basic business terms with the landlord or management company. We will not provide any legal advice to you, and we strongly suggest that you retain your own real estate lawyer familiar with commercial real estate transactions who will review the terms of the lease on your behalf. You acknowledge and agree that (a) our assistance with your search process and evaluation of potential sites is limited to identifying sites that meet our minimum site selection guidelines, (b) you will make the final decision about where to locate your Unit based on your own evaluation of potential sites, and (c) our assistance and acceptance of a site you choose does not constitute a representation or warranty that the proposed site will be a profitable location for your Unit.

2.3 Lease Provisions. If you will be leasing the approved site, we require that certain provisions be included in your written lease agreement for our protection. Unless we agree otherwise in writing, your lease agreement must be signed by the same person(s) or entity(ies) that sign this Agreement. You must provide us with a copy of your proposed lease agreement for approval before you sign it. You will not sign the proposed lease agreement until after you have our express written approval. All leases relating to the Unit's premises must contain the following provisions in contractual language acceptable to us:

(a) The use of the leased premises will be restricted solely to the operation of a Unit.

(b) The landlord, upon termination or expiration of the lease, consents to your removal (at your own expense) of the exterior and interior signs and trade fixtures, so long as you make repairs caused by the removal of these items.

(c) The landlord agrees to provide to us (at the same time they are sent to you) a copy of all lease amendments and assignments, and a copy of all letters and notices sent to you relating to your lease or the leased premises.

(d) We will have the right and option, but not the obligation, to enter the leased premises upon notice to you and the landlord to make any modifications or alterations, at your cost, which are necessary (in our opinion) to protect the System and the Marks and to cure, within the time periods provided by the lease, any default under the lease, all without being guilty of trespass or other tort.

(e) You may assign the lease to us (or our designee) with the landlord's consent (which consent will not be unreasonably withheld) and without payment of any past due rent, assignment fee or similar charge or increase in any rent.

(f) The landlord agrees that, before the effective date of any assignment of the lease to us (or our designee), you will be solely responsible for all obligations, debts and payments under the lease.

(g) The landlord agrees not to amend or otherwise modify the lease in any manner that would affect any of the foregoing requirements without our prior written consent (which will not be unreasonably withheld).

(h) The total possible term of the lease (including the initial term and all renewal terms that are at your option) must be for at least 10 years.

2.4 Buildout. Promptly after obtaining possession of the approved site for the Unit, you will: (a) retain the services of the prescribed architect firm for Unit design and pay the associated fees; (b) following our approval, retain the services of the approved contractor; (c) obtain all required permits, licenses and zoning variances, and secure insurance bond against contractor default; (d) purchase all required equipment, furnishings, fixtures, interior and exterior signs (including menu boards) and décor as required by this Agreement and the System Standards, which may require that you purchase certain build-out items from suppliers designated by us; (e) complete the construction, buildout, and/or remodeling of the Unit premises consistent with the approved plans, the System Standards and applicable law; (f) obtain all customary sworn statements and waivers of liens from contractors, subcontractors, suppliers and others; (g) install all necessary equipment, furnishings, fixtures, interior and exterior signs (including menu boards) and décor; and (h) otherwise have the Unit ready to open for business as required by this Agreement and the System Standards. You may not deviate from our System Standards relating to plans, layout, equipment, furnishings, fixtures, signs (including menu boards) or décor, or otherwise relating to the appearance and other aesthetics of your Unit, unless you have our prior express written consent.

2.5 General Contractor Requirements. You may not retain the services of a general contractor for your Unit until you have obtained our written approval. We will not approve your proposed general contractor until after you have provided to us a copy of the fully signed General Contractor Letter Agreement, in the form attached as *Exhibit D*.

2.6 Pre-Opening Reporting. Beginning the first Thursday after your lease for the Unit is signed, you must provide to us a weekly progress report using the Start Up Checklist form provided by us (which must be completed in full, must provide timelines for upcoming inspections and other construction milestones and must be accompanied by photographs of the Unit) or as otherwise required by System Standards. This report must be sent by email to turnkey@paciugo.com each Thursday, until the Unit is completed to our satisfaction. You must promptly respond to our requests for any other information regarding the construction and/or build out of the Unit or your preparations for opening the Unit for business.

2.7 Alteration. You will not make any material alteration to the Unit's premises, equipment, furnishings, fixtures, signs (including menu boards) or décor without our prior express written approval.

SECTION 3: YOUR OPERATING OBLIGATIONS

3.1 Management. At all times during the term of this Agreement, you will employ a manager who will meet our educational, managerial and business experience standards, and who will devote full time, energy, attention and best efforts to the management and operation of the Unit ("Manager"). If you are an individual, you may serve as the Manager. You will designate to us in writing the identity of your initial Manager within 3 months after the Effective Date of this Agreement, and you will designate to us in writing the identity of each successor Manager within 30 days after the prior Manager ceases to serve as Manager.

3.2 Opening the Unit. Unless we agree in writing to a later opening date (or a later lease execution date, as applicable), you are required to sign a Lease Agreement for the Unit within 6 months after you sign the Franchise Agreement, and then open the Unit and begin business within 6 months after you sign a Lease Agreement for the Unit. Before opening, you will complete all necessary construction and build out of the Unit, including installation of furnishings, fixtures, equipment and interior and exterior signs (including menu boards), pursuant to the System Standards and our approved plans and specifications, and your initial Manager must have successfully completed the initial training program. You must obtain our written approval before opening the Unit, and you must schedule the opening date for a mutually convenient date, according to our soft-opening guidelines (which require the certificate of occupancy in hand, with soft-opening the following Tuesday). If your Unit is not ready for opening on the agreed scheduled opening date, you will pay us a per diem fee equal to our expenses incurred due to your delay (including our expenses for travel, transportation, meals, lodging and wages/benefits), and you will reimburse us for any additional out of pocket costs we incur as a result of the delayed opening.

3.3 Manager Training. Your initial Manager must, before the opening of the Unit, attend and complete to our satisfaction the initial training program we require. Any successor Manager you later employ must also satisfactorily complete the initial training program we require before (or as soon as we require after) being designated as Manager of the Unit. We will provide instructors, facilities and training materials for the training of your initial Manager free of charge. All other expenses incurred in your initial and successor Managers' training, including the cost of travel, transportation, meals, lodging and any wages/benefits, will be your responsibility. You will pay to us our then-current tuition (or then-current per diem fee) and expenses incurred by us for the initial training of any successor Manager you later employ, including the reasonable travel, transportation, wages/benefits, meals and lodging expenses we incur if we elect to provide this training at your Unit.

3.4 Other Training. You and your Manager must attend any additional or refresher training programs that we designate as mandatory for franchisees and managers, respectively. You will be responsible for all travel, transportation, lodging, meals and incidental expenses and compensation of the people you send for additional or refresher training programs we offer, and you will pay us the cost of providing you the training materials (if any), and any tuition we may require under Section 4.5. All training materials are confidential, and will remain our property.

3.5 Employee Training. You will maintain competent and conscientious personnel to operate the Unit in accordance with this Agreement and the Manual. You will train or cause the training of all your personnel as and when required by prudent business practices, our System Standards or this Agreement.

3.6 Marketing.

(a) Marketing Programs. You will participate in all advertising, public relations, promotion, market research, and other marketing activities we may implement for the System ("Marketing Programs"). We may require you to pay for the production of marketing materials to be used by you in your market area (in addition to your contribution of Marketing Fees).

(b) Advertising. All of your advertising and promotional materials shall represent and conform to our standards and specifications related to advertising, marketing and trademark use. You may develop advertising and promotional materials for your own use, at your own cost; however, you must submit to us all advertising and promotional materials not prepared or previously approved by us, for our approval. The samples of the proposed advertising or promotional materials along with the intended media must be submitted before first publication or use. We shall use good faith efforts to approve or disapprove proposed advertising and promotional materials. You will not use the advertising or promotional materials until we expressly approve the materials and the proposed media. Once approved, you will use the materials only in connection with the media for which they were approved. We may disapprove your advertising or promotional materials, or the media for which they were approved, at any time, and you must discontinue using any disapproved materials or media upon your receipt of written notice of disapproval. This includes the use of press releases.

(c) Contributions and Donations. You will not make any contributions or donations of products, services or money to any individual or entity, or provide any type of other benefit to any charitable, religious, political, social, civic or other type of organization (or to any individual on behalf on any organization) that might negatively impact the Paciugo brand or franchise system, without our prior express written consent.

(d) Internet Marketing. You will not, directly or indirectly, create or maintain an Internet web page, web site address, Internet directory listing or any social media (including, but not limited to, Facebook, My Space and Twitter) account or listing relating in any way to your Unit, or which uses any Marks.

(e) Grand Opening Marketing. On or before the date on which you sign a lease for the Unit, you shall pay to our designated vendors a lump sum of $3,000. Our designated vendors will spend such amount on your behalf to design and implement a grand opening marketing program to promote the opening of your Unit.

3.7 Approved Menu Items, Products and Services. You will offer all approved menu items and other approved products and services pursuant to the System Standards for your Unit type, and no other menu items, products or services. You may not deviate from our approved flavors or offer unapproved flavors. You will offer for sale all required menu items using the proprietary gelato, recipes, ingredients, serving sizes, decorations, serving containers and related items (such as spoons, napkins, straws and bags), nomenclature and presentation exactly in accordance with the System Standards. If you desire to offer any unapproved menu items, flavors, products or services, you must first obtain our prior express written consent. You will refrain from deviating from our System Standards by the use or offer of non-conforming items or differing amounts of any items, without our prior express written consent. You will maintain at the Unit, at your expense, all inventory and supplies as required by the System Standards for your Unit type.

3.8 Hours of Operation. You will keep the Unit open and in normal operation for the minimum hours and/or days as required by the System Standards for your Unit type. You may not modify your hours of operation unless you receive our prior written consent to do so. Any unauthorized modification of your hours of operation will constitute a material breach of this Agreement.

3.9 Maintenance of Unit. You will install and maintain at the Unit, at your expense, all furnishings, fixtures, equipment, and interior and exterior signs (including menu boards) as required by the System Standards for your Unit type. You will not install or permit to be installed on or about the Unit premises any furnishings, fixtures, equipment, signs, décor, vending machines, video games, or the like not previously approved by us. You will not display or distribute on or about the Unit premises any magazines, brochures, posters, business cards or other marketing materials for any other business not previously approved by us. You will maintain the Unit premises, and all furnishings, fixtures, equipment and interior and exterior signs (including menu boards) in a clean, attractive condition, and in good working order and repair. If we notify you of any deficiency as to the general state of repair or appearance of the Unit's premises, furnishings, fixtures, equipment, signs or décor, you must undertake the action we reasonably specify to correct the deficiency within the time period we specify.

3.10 Refurbishing the Unit. Within 6 months after our request, you will: (a) remodel, redecorate, and refurbish the Unit at your expense to conform to the decor, color schemes, and presentation of trademarks and service marks consistent with our then-current image; and (b) upgrade, modify and/or replace furnishings, fixtures, equipment, décor, and interior and exterior signs to conform to our then-current System Standards. It will be no less than 5 years from the Effective Date of this Agreement before you are required to make major capital expenditures (e.g. remodel the entire Unit), but you may be required to purchase equipment necessary to prepare new menu items or make other upgrade expenditures during your first 5 years of operation.

3.11 **Lease Compliance.** You will comply with all of the terms of your lease, sublease, and other agreements authorizing your use of the Unit premises, and will refrain from any activity which may jeopardize your right to remain in possession of, or to renew the lease or sublease for, the Unit premises.

3.12 **Compliance with Laws and Good Business Practices.** You will obtain and maintain in force, as and when needed, all governmental permits, licenses and approvals required by applicable law to establish and operate the Franchised Business at the Approved Location. You will pay when due (or properly and timely contest) all federal, state and local payroll, withholding, unemployment, permit, license, property, ad valorem, use, sales, gross receipts, income, property and other taxes, assessments, fees, charges, penalties and interest, which may be charged or levied against you as a result of your business operations, and will file when due all required governmental returns, notices and other filings. You will conduct your business operations under this Agreement in full compliance with all applicable laws, ordinances, regulations, rules, administrative orders, decrees and policies of any local, state, or federal government, governmental agency or department. You will, in all dealings with us, suppliers, customers and public officials, adhere to the highest standards of honesty, integrity, fair dealing and ethical conduct. You will refrain from any business practice which may harm our business, System or Marks, or other franchisees' businesses. You will cause your affiliates, employees, owners, representatives and agents to strictly comply with the provisions of this Agreement. You will notify us promptly if you obtain any information that any aspect of the System does not comply with any applicable law, rule or regulation. You also agree to comply with all payment card infrastructure ("PCI") industry and government security standards and requirements designed to protect cardholder data. PCI standards apply to both technical and operational aspects of credit card and other payment card transactions and apply to all organizations which store, process or transmit cardholder data. You acknowledge and agree that you shall be solely responsible for any costs, expenses, damages or other liabilities incurred by you or us as a result of, or in connection with, your failure to comply with any PCI standards.

3.13 **Communication, Reports and Accounting.** You will diligently and promptly reply to all e-mail messages from us or our affiliates or representatives, and you must use the email address we assign to you for all emails related to the operation of your Franchised Business. If you fail to promptly reply to any e-mail message from us or our affiliates or representatives, which requires a business decision on your part, you authorize us to act as your attorney-in-fact to make this decision on your behalf, and you will be bound by our decision. You will prepare written periodic reports, in the forms required by the System Standards, containing the information we require about your operations during each reporting period. You will submit all printed weekly reports (including revenue reports) and weekly payments to us on or before 5:00pm on the Friday immediately following the week to which they relate, and all other reports and payments within the time period required by the System Standards. You will prepare and submit other reports and information about your operations as we may reasonably request in writing or as required by the System Standards. We may require, at our option, that certain reports you submit be certified as true and correct by you, your owners or your chief financial officer, and that certain reports be submitted using the forms, formats and communication media that we specify. You will obtain, install and maintain any computer software we require for this purpose or for obtaining relevant information directly from your point-of-sale system or computer system. You will maintain accounting books and records in accordance with generally-accepted accounting principles, subject to this Agreement and other reasonable accounting standards we may specify periodically. You will prepare and submit to us your annual and semi-annual financial statements within 45 days after the end of the accounting period to which they relate, in the prescribed format using the supplied chart of accounts. We do not require that your financial statements be independently audited, but if you have them audited you will provide us with a copy of your audited statements. You will retain copies of all reports, and originals or copies of all other information, books, records, and other materials relating to the operation of the Franchised Business, for a period of 5 years following their respective dates. In addition to any reports you provide to us, we will have the right at any time to access your information, upload and download data, troubleshoot and perform diagnostic checks, and retrieve whatever data and information we want from your point-of-sale system, computer system and communication system. You will cooperate with us completely in any of these tasks. This information will become our property.

3.14 Insurance. You will obtain before opening and maintain in force throughout the term of this Agreement, at your sole expense, insurance coverage from an insurance company acceptable to us, which complies with the System Standards for your Unit type specified in the Manual or otherwise by us in writing, as of the Effective Date and each time the policy is renewed. If you offer catering services, you must obtain and maintain additional insurance coverage in compliance with System Standards for these operations. Your policies must: name us as an additional insured; contain a waiver of the insurance company's right of subrogation against us; and provide that we will receive at least 30 days prior written notice of termination, expiration or cancellation of the policy. You will promptly provide us with current and updated certificates of insurance. Your obligations under this Section 3.14 are not limited in any way by reason of any insurance that we maintain, and your indemnity obligations under Section 11 are not affected by your insurance obligations under this Section 3.14.

3.15 Conferences. You (or, if you are an entity, one of your owners or officers) or your Manager will attend each franchisee conference and pay the conference fee we set for our franchisees, if and when we sponsor a franchisee conference. Mandatory training for our franchisees or their managers may be held at a conference. The conference fee we set will be the same for all of our franchisees. You will receive reasonable notice of each franchisee conference. You will be responsible for all travel, transportation, lodging, meals, and incidental expenses and compensation of the people you send to any franchisee conference.

3.16 Purchasing. You will purchase or procure and use in the Franchised Business certain designated items (including furnishings, fixtures, equipment, interior and exterior signs (including menu boards), proprietary gelato, ingredients, inventory and supplies) and services in compliance with any minimum standards or specifications we may periodically establish, and from only the suppliers that we approve. We or our affiliates may be the sole approved suppliers of certain items and services. You may purchase or procure any other approved goods or services for the Franchised Business from any competent source you select, so long as the goods and services meet or exceed our System Standards. If you have any complaint about any purchase you make from us or any of our affiliates (including damage, deficiency or spoilage), you must promptly notify us, and provide whatever proof of your claim we require, including photographs clearly showing the basis for your claim. We and our affiliates reserve the right to reject all complaints that are not adequately documented and photographed.

3.17 Goodwill. You will use reasonable efforts to protect, maintain and promote the trade name "Paciugo" (or other trade name approved by us) and its distinguishing characteristics, the other Marks and the System. You will not permit or allow your officers, directors, owners, Managers, employees, representatives or agents to engage in conduct which is unlawful or damaging to the goodwill or public image of the Marks or System. You will participate in all quality assurance, customer service and customer satisfaction programs we require in good faith. You will follow System Standards for identification of your operations and for you to avoid confusion on the part of customers, creditors, lenders, investors and the public as to the ownership and operation of the Franchised Business.

3.18 Non-Competition. In order to protect our proprietary trade secrets and other Confidential Information and in consideration of our providing you with specialized training and access to our trade secrets and other Confidential Information, you (and, if you are an entity, your officers, directors, and owners) and your Managers will not engage in, assist, acquire, advise, consult with, be employed by, own, or become associated in any way with, any business whose methods of operation, trade dress or business concept is the same as or similar to that of the System or the Marks, or which makes or sells gelato, other than the Franchised Business, unless you have our prior express written consent. You will not solicit or otherwise induce our employees or the employees of any of our affiliates or other franchisee to leave their employment. You will not divert or attempt to divert any business or customer of ours or any of our affiliates or franchisees to any competitor. You will, upon our request, require that your officers, directors and Managers sign covenants of non-competition regarding the matters specified in this Section 3.18 and in Section 14.7, and these covenants will be in a form acceptable to us and will identify us as a third-party beneficiary, with the independent right to enforce them.

3.19 Quality and Customer Service Standards. All products and services you provide under this Agreement will be of high quality, and will conform to the quality and customer service standards we may establish from time to time. If we determine, in our sole discretion, that any of the products and services you have provided are not in conformance with our quality standards, we will give you written notice specifying in reasonable detail the facts and circumstances of your default. After you receive this notice, you will immediately undertake and diligently pursue the efforts we deem necessary to remedy the default, and to bring the products and services you offer into conformance with our quality standards within 30 days from your receipt of our notice. If, after this 30-day period, the products and services at issue do not, in our sole opinion, conform to our quality standards, then we have the right, at our option, to terminate this Agreement in its entirety, upon 30 days written notice to you pursuant to Section 13.3 of this Agreement. We may use a secret shopper program or guest survey program to evaluate your compliance with our quality standards and customer service standards. If the secret shopper score or guest survey for your Franchised Business does not meet the System Standards, you may be required to send your manager to another training class as we require in our discretion (at your cost).

3.20 Telephone, e-mail and Web Sites. You will obtain a telephone number for exclusive use in connection with the Franchised Business, and we will assign you an email address and a designated page or account on any Internet websites on which we, at our option, choose to promote the Franchised Businesses (including social networking sites like Facebook, My Space and Twitter) for exclusive use in connection with the Franchised Business, and this telephone number, email address and Internet website pages/accounts will be deemed to be our property.

3.21 Directory Listings. You will obtain and maintain at your expense white pages and yellow pages listings for the Franchised Business, as required by System Standards, and in the form provided by or expressly approved by us, in the principal telephone directory serving your Approved Location. If other businesses franchised by us are served by the same directory, we may require a group listing of all relevant franchised businesses, and in that event the costs of this listing will be reasonably allocated among the applicable franchised businesses.

3.22 Point-of-Sale System and Computer System. You will, at your expense, purchase and maintain, any point-of-sale system, computer hardware and software, communication equipment, communication services, dedicated telephone and power lines, modems, printers, and other related accessories or peripheral equipment exactly as specified in the System Standards, including but not limited to the "Paciugo Turnkey & System Standards" web page, or as we may otherwise specify from time to time for use in the Franchised Business. You will provide any assistance we require to connect your point-of-sale system or computer system with our computer system. We will have the right at any time to retrieve data and other information from your point-of-sale system or computer system as we, in our sole discretion, deem necessary or desirable. You will strictly comply with our standards and specifications for all items associated with your point-of-sale system, computer system and communication equipment and services. You will keep the point-of-sale system, computer system and communication equipment in good maintenance and repair, and you will promptly install, at your expense, any additions, changes, modifications or substitutions to your point-of sale system, computer hardware, software, communication equipment, telephone and power lines, and other related accessories or peripheral equipment, and related services, as we may specify periodically. We may require that you license from us, our affiliates or a supplier we designate, proprietary computer software for use in the Franchised Business, and, if so, you will sign the software license agreement we specify, and you will comply with all of its terms and conditions. You will utilize the point-of-sale system, computer system and communication equipment and services in connection with the Franchised Business exactly as specified in the "Paciugo Turnkey & System Standards" web page, or as otherwise specified under the System Standards.

3.23 Notification of Legal Proceedings. You will notify us in writing within 5 business days of the commencement of any action, suit, or proceeding, and of the issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality, of which you become aware, and which may adversely affect the operation or financial condition of the Unit.

3.24 Catering. You have the option to offer gelato catering services in connection with the Franchised Business. If you choose to offer these services, you must offer them pursuant to the applicable System Standards, which include requirements for the purchase of additional equipment and insurance.

3.25 Uniforms. Your employees will wear uniforms as required by the System Standards.

3.26 Music. You will, at your expense, purchase or lease, maintain and use, any music system that we may specify from time to time for use in the Franchised Business, and you will use this music system to play music that we have approved, and no other music. If we require, you will enter into music service agreements for subscription music programming, at your expense.

3.27 Gift Cards. If we require, you will accept stored-value gift cards or other non-cash payment methods that we may specify from time to time for use in the Franchised Business to enable customers to purchase products and/or services offered by the Unit without cash in accordance with System Standards. You will, at your expense, purchase or lease, maintain and use, any necessary hardware and/or software that we may specify in connection with these non-cash systems.

SECTION 4: OUR SERVICES AND OBLIGATIONS

4.1 Unit Location. We will provide you with our site selection criteria and standard Unit layout plans and specifications for your Unit type. We will also provide you with the assistance and consultation we deem advisable regarding the location, placement and layout of the Unit at the Approved Location.

4.2 **Checklist**. We will provide you with a detailed checklist (referred to as "Paciugo Turnkey", which is part of the System Standards) covering substantially all of the operating steps required to establish and open the Unit. It is your responsibility to ensure compliance with all applicable laws relating to the establishment and operation of the Franchised Business at the Unit premises.

4.3 **Unit Construction**. We will provide you with standard plans and specifications for construction and/or build out for the Unit, which you will have adapted to your Approved Location. We will provide you with the assistance and consultation we deem advisable regarding constructing, remodeling or decorating the Unit, and regarding the installation of equipment

4.4 **Manager Training**. We will provide you with an initial training program. You must attend the classes taught during this program. If there are multiple owners, we will provide training to 1 owner. If you will not be operating the Unit, we will offer this training to your initial manager and may offer it to each successor manager. The initial training program will be offered at our headquarters in Dallas, Texas or other location(s) designated by us from time to time in our sole discretion. During this training program you will be required to work in a Unit operated by a franchisee or an affiliate we select (without pay or other compensation). Our initial training program will be offered periodically as needed, subject to scheduling, and will consist of on-the-job training, plus a minimum of 24 hours of classroom training. Training materials include a Production Manual, Training Manual and on-line testing. We will provide training instructors and training materials. You will be responsible for all other expenses, including travel, transportation, meals, lodging, and any incidental expenses.

At least 6 months before you open your Franchised Business, you must designate to us in writing an individual to serve as the initial manager for the Franchised Business. If you designate a store manager, he or she must successfully complete our initial training program to our satisfaction before you open your Unit. There is no training fee for the initial training program for your initial manager.

Any manager hired at a later date, also must satisfactorily complete the initial training program, if we determine in our sole opinion that this training is necessary. You may send additional trainees to the initial training we provide, on a space-available basis. For any training of additional trainees, including later-hired managers, we reserve the right to charge you our then-current fee for tuition and training materials (currently $1,400). If this training is provided at your Unit, you must pay our then-current daily fee for tuition and training materials (currently $250 per day) and reimburse us for all reasonable expenses we incur (including the cost of travel, transportation, meals, lodging and any wages/benefits).

Our training programs are specifically tailored to the experience and ability of the individual trainee(s). The initial training program will last approximately 9 days. If your manager has at least 6 months' experience in the operation and management of a Unit, we may, at our discretion, not require such manager to successfully complete the entire training program curriculum.

All initial training we provide will be offered, in our sole discretion, at a Unit operated by a franchisee or an affiliate, at our training facility, at your Unit, or at some other location in the United States we select, and will be subject to the provisions of Section 3.3.

4.5 **Other Training.** We may in the future offer or require additional or refresher training for you or your Manager, if we determine, in our sole discretion, that this training is necessary or appropriate. Additional and refresher training will be held at one or more locations in the United States determined by us, and may be held in conjunction with a franchisee conference. We may charge you for the cost of providing you the training materials (if any), and a tuition for any additional or refresher training program. All additional and refresher training we provide will be subject to the provisions of Section 3.4.

4.6 **Pre-Opening and Opening Assistance.** We will provide you with pre-opening assistance and consultation as we deem advisable. We will provide to you, at no charge, on-site assistance and supervision in connection with the opening of your Unit by one or two representatives for 4 days, at times as may be mutually convenient to you and us.

4.7 **Marketing Programs.**

(a) **Marketing Activities.** We will develop one or more Marketing Programs, and we (or our designee or affiliate) will administer the Marketing Programs. We will determine in our sole discretion: the nature and type of program; the nature and type of media placement; the allocation (if any) among national, regional and local markets; the nature and type of advertising copy and other marketing materials; and all other aspects of the Marketing Programs. We do not promise that you will benefit directly or proportionately from any Marketing Programs.

(b) **Marketing Fees.** We will use marketing fees we collect from our franchisees to pay for the Marketing Programs and to reimburse our reasonable direct and indirect costs, overhead and other expenses (and those of our designee or affiliates) of providing services and materials relating to the Marketing Programs. We are not obligated to supplement the marketing fees; however, Units owned and operated by our affiliates currently intend to contribute to the Marketing Programs on the same basis as our franchisees.

(c) **Duration.** We have the right to terminate any Marketing Program, at our discretion. However, any termination will not be effective until all marketing fees we have collected for the Marketing Program have been expended.

4.8 Purchasing. Although you are responsible for purchasing or procuring goods and services for use in connection with the Franchised Business, we and/or our affiliates may offer optional assistance to you with purchasing or procuring goods or services. We may require minimum standards or specifications for goods and services, specify approved goods and services, and restrict the suppliers authorized to sell or provide certain goods and services in order to control quality, provide for consistent service or obtain volume discounts. We will provide you with our System Standards for goods and services, our list of approved items, and our list of approved suppliers.

4.9 Continuing Consultations. We will assist you to understand your obligations under the System Standards and this Agreement, provide you with other continuing consultation, and may provide you with new proprietary methods and formulas relating to approved menu items or operation of the Unit, all on terms as we deem appropriate. To the extent possible, we will provide consultation during inspections and audits, through the System Standards, at training sessions (if any), and during franchisee conferences (if any). If you request additional operating assistance or services, we may require that you pay us our then-current per diem fee and the expenses we incur in providing additional assistance to you (including our expenses for travel, transportation, meals, lodging and wages/benefits).

4.10 Retail Prices. We will provide you with suggested retail prices for the products and services offered by the Franchised Business. We also reserve the right to establish maximum, minimum or other pricing requirements for all products and services to ensure price consistency, if allowed under applicable federal and state law. If we do establish pricing requirements (if allowed by applicable law), you must offer and sell your products and services at prices that comply with our requirements.

4.11 Conferences. We may sponsor periodic conferences for our franchisees, at which seminars, workshops and other training may be conducted. We may require you (or one of your owners or officers) and/or your Manager to attend each conference. We may charge you a fee for any conference to cover our expenses.

4.12 Loan of Manual. Within 15 days after execution of this Agreement, we will loan to you for the term of this Agreement a copy of our current operations manual, and we will later provide you with all periodic modifications thereto and any other manual we develop (collectively, the "Manual"). If the copy of the Manual we loan to you is lost, stolen or destroyed before you return it to us, you will pay us a replacement fee of $1,000, and we will loan you a replacement copy.

SECTION 5: FEES

5.1 Franchise Fee. Contemporaneously with the execution of this Agreement, you will pay us an initial franchise fee of $25,000. The initial franchise fee will be deemed fully earned and nonrefundable when paid, in consideration of administrative and other expenses we incurred in entering into this Agreement, and for our lost or deferred opportunity to enter into a franchise agreement with others for the Approved Location or Protected Territory.

5.2 Royalty Fee. During the term of this Agreement, you will pay to us a continuing weekly royalty fee of 4.5% of each week's revenue you receive from the sale of all products and services, including the sale of food, beverages and merchandise and all other income of every kind and nature related to the Unit, whether for cash or credit, and regardless of collection in the case of credit, but not including any sales taxes you collect for transmittal to the appropriate taxing authority ("Gross Sales"). Your royalty fee payments must be made without any offset, credit or other deductions of any nature.

5.3 National Marketing Fund. During the term of this Agreement, you will also pay to us, on a weekly basis, a marketing fee of 1.5% of each week's Gross Sales for the Unit.

5.4 Taxes. You will pay to us when due any federal, state or local sales, gross receipts, use, value added, excise or other taxes levied or assessed against us as a result of, or in connection with, any fees and other payments delivered to us under this Agreement, including any income tax (other than federal income tax), franchise or other tax levied or assessed against us for the privilege of doing business in your State.

5.5 Late Payment Fees and Late Report Fees. All fees and other payments due to us under this Agreement but not timely paid by you will be subject to a late payment penalty after the due date at the rate of 1.5% per month or the maximum rate permitted by applicable law, whichever is less, accruing until the amount is paid in full. This provision does not permit or excuse late payments. If you fail to timely pay us or any of our affiliates for any order of supplies shipped COD, we and our affiliates reserve the right to refuse to make any additional COD shipments to you until you have brought your account current, including payment of all applicable late payment penalties. In addition to, and not in lieu of, any late payment fees described above, if you fail to timely deliver any reports or financial statements to us under this Agreement (including, but not limited to, the reports and financial statements contemplated by, or specifically required under, Section 3.13 of this Agreement), you must pay us Fifty Dollars ($50) per week for each week that a required report or financial statement remains undelivered. This $50 fee is payable by means of electronic funds transfers or other methods in accordance with procedures that we may establish in the Manual or otherwise specify in writing.

5.6 Place and Method of Payment. You will pay us, without billing or demand, all weekly fees required by this Agreement, by Friday at 5:00 pm of the following week for the Gross Sales during the preceding calendar week; alternatively we may choose to be paid by credit card at the moment the sales report is submitted You will submit your weekly payments to us together with any weekly statements and reports required under Section 3.13. For any purchases of ingredients or other items or services from us or our affiliate, you will pay us or our affiliate within the then current terms of the relevant items or services; alternatively we and our affiliate may choose to be paid by credit card at the moment the ingredients are ordered. The acceptable credit cards are Visa, Master Card and Discovery; or the ones we will from time to time designate as the accepted credit cards. All fees and other payments due us under this Agreement will be made to us at our headquarters in Dallas, Texas, or as otherwise specified by us in writing. We have the right to require you to transmit fees and other payments to us by means of electronic funds transfers or other methods in accordance with procedures that we may establish in the Manual or otherwise specify in writing. If we require alternate means of payment, you will sign all documents we reasonably require, establish and maintain any required accounts, and otherwise cooperate with us to effectuate these means.

SECTION 6: SYSTEM STANDARDS AND MANUALS

6.1 System Standards. At present, our System includes (a) the Marks; (b) trade secrets and other intellectual property, including Confidential Information (as defined in Section 8), the Manual and know-how; (c) marketing, advertising, publicity, public relations and other promotional materials and programs; (d) System Standards; (e) training programs and materials; and (f) universal service quality and customer satisfaction standards and programs. You acknowledge and agree that every detail of the System is important to you, us, and other franchisees in order to develop and maintain high and uniform operating standards, increase the demand for the products and services marketed by all franchisees, and protect our reputation and goodwill. You will maintain our high System Standards with respect to your Unit's premises, facilities, equipment, services, products, and operations. You will strictly comply with all of the mandatory System Standards in the Manual or that we otherwise provide to you in writing. We may, in our sole discretion, by written notice, permit deviations from System Standards, based on local conditions and our assessment of the particular circumstances involved.

6.2 Modification of the Manual. In our sole discretion, we may change, delete from or add to the System, including any of the Marks or System Standards, by providing you with written notice thereof, or by modification of the Manual. You will implement any modifications promptly after written notice from us, provided that no addition or modification will alter your fundamental rights or status under this Agreement. If there is a dispute as to the contents or meaning of any part of the Manual, the version maintained by us at our principal office will be controlling. The Manual is confidential and will remain our property.

6.3 Ownership of the System. We own all rights, title and interest in and to the System. You will not acquire any proprietary interest in the System. Your rights to use the System are derived solely under this Agreement. Unauthorized use of the System by you will constitute a material breach of this Agreement.

6.4 Inurements. All present and future distinguishing characteristics, improvements and additions to, or associated with, the System by us, you or others, and the associated goodwill will be our property, and will inure to our benefit.

SECTION 7: MARKS

7.1 Ownership of the Marks. You acknowledge that our affiliate owns all right, title and interest in and to the Marks. You will not acquire any proprietary interest in the Marks, and you will not challenge our ownership of the Marks or our right to use the Marks. Except as expressly provided herein, you will not acquire any rights in the Marks. Your rights to use the Marks are derived solely under this Agreement, and constitute a non-exclusive license.

7.2 Registration. We have taken and will take all steps reasonably necessary, in our sole opinion, to preserve and protect our ownership of, and the validity of, the Marks. You will not apply for governmental registration of the Marks, or contest the registration status of the Marks. You will display the Marks, and give notice of trademark registration and claims in accordance with the System Standards. You will cooperate fully and in good faith with us for the purpose of maintaining registrations and prosecuting applications for the Marks, and otherwise securing and preserving our rights in and to the Marks.

7.3 Use of the Marks. You will not use the Marks without our prior express written consent. Before each intended use of any material of any nature which bears any of the Marks, you will submit to us samples of the materials. You will use the Marks only as expressly authorized by this Agreement, our Manuals or as otherwise provided by us in writing. Unauthorized use of the Marks by you will constitute a breach of this Agreement, and an infringement of our rights in and to the Marks. You will take all steps necessary or appropriate to preserve the goodwill and prestige of the Marks. You will use the Marks only in connection with the Franchised Business. You will not use any Mark in your corporate name or legal name, but you may use a Mark in an assumed business or trade name if you have our prior express written consent. You will not use any Mark with any prefix, suffix or other modifying trademarks, logos, words, terms, designs or symbols or in any modified form. You will not use any Mark in connection with any unauthorized product or service, or in any manner not expressly authorized under this Agreement.

7.4 Inurements. All usage of the Marks and any goodwill associated with the Marks will inure exclusively to the benefit of our affiliate or us. All present and future service marks, trademarks, copyrights, service mark registrations and trademark registrations used or to be used as part of the System, and the associated goodwill, will be the property of us or our affiliate, and will inure to the benefit of our affiliate or us. Upon the expiration or termination of this Agreement for any reason, you will not be entitled to any compensation or other monetary benefit attributable to any goodwill associated with the Franchised Business, including any goodwill associated with your use of the Marks.

7.5 Infringements and Litigation. You will promptly notify us in writing of (a) any adverse or infringing uses of the Marks (or names or symbols confusingly similar), Confidential Information (as defined in Section 8) or other System intellectual property, and (b) any threatened or pending litigation related to the Marks or System against (or naming as a party) you or us, of which you become aware. We will handle disputes with third parties concerning use of all or any part of the Marks or System in any manner we deem appropriate, in our sole discretion. You will cooperate fully and in good faith with our efforts to resolve these disputes. We may bring suit in your name or join you as a party to the relevant proceedings. We may resolve any dispute by obtaining a license of the property for you at no expense to you, or by requiring that you discontinue using the infringing property or modify your use to avoid infringing the rights of others. We need not initiate suit against imitators or infringers who do not, in our sole opinion, have a material adverse impact on the Franchised Business, and we need not initiate any other suit or proceeding to enforce or protect the Marks or System in a matter we do not believe, in our sole opinion, to be material. We will defend you against any third-party claim, suit, or demand arising out of your use of the Marks. If we, in our sole discretion, determine that you have used the Marks in accordance with this Agreement, we will bear the cost of this defense, including the cost of any judgment or settlement. If we, in our sole discretion, determine that you have not used the Marks in accordance with this Agreement, you will bear the cost of this defense, including the cost of any judgment or settlement. If there is any litigation relating to your use of the Marks, you will sign any documents and do whatever acts as may, in our opinion, be necessary to carry out this defense or prosecution, including becoming a nominal party to any legal action. Except to the extent that litigation results from your use of the Marks in a manner inconsistent with the terms of this Agreement or the System Standards, we will reimburse you for your out-of-pocket litigation costs in cooperating with us in the litigation.

7.6 Substitution of Marks. We reserve the right to substitute different proprietary marks for use in identifying the System, the businesses operating under the System, and/or the products or services offered, if the Marks no longer can be used, or if we, in our sole discretion, determine that substitution of different proprietary marks will be beneficial to the System. In these circumstances, the use of the substituted proprietary marks will be governed by the terms of this Agreement, and we will not compensate you for any substitution. You will promptly implement any substitution, at your expense.

SECTION 8: CONFIDENTIAL INFORMATION

8.1 Confidential Information. We possess certain nonpublic trade secrets, proprietary information, technical data and know how which relate to our business, System, services or products, or to a Franchised Business, including the Manual, our System Standards, recipes (for any food or other items offered for sale at the Franchised Business), specialized preparation methods, quality-control systems, training materials, and information regarding salary, research, products, services, developments, inventions, processes, techniques, designs, marketing, finances, field operations, and computer hardware and software (collectively, "Confidential Information") that we will provide to you, and you will obtain other Confidential Information during the term of this Agreement. You acknowledge that your entire knowledge of the operation of a gelato shop, including the method of preparing gelato, food items, and other products offered for sale at the Franchised Business, recipes, specifications, standards, and procedures involved in the operation of a Unit is derived solely from Confidential Information we disclose to you.

8.2 Protection of Confidential Information. You will use the Confidential Information only in the operation of your Franchised Business, and you will not disclose Confidential Information to others, except as expressly authorized by this Agreement. You will take all appropriate actions to preserve the confidentiality of all Confidential Information. Access to Confidential Information must be limited to only your employees who need the Confidential Information to perform their jobs and who are subject to your general policy on maintaining confidentiality as a condition of employment or who have first signed a confidentiality agreement. You will not copy or permit copying of Confidential Information. Your obligations under this section begin when you sign this Agreement and continue with regard to each aspect of the Confidential Information for as long as we continue to use such information in confidence (even if edited or revised) and for 3 years after we cease to use such information in confidence or treat such information as a protected copyright, as applicable. We will respond promptly and in good faith to your inquiry about continued protection of any Confidential Information.

8.3 Disclosure of Confidential Information. Notwithstanding anything to the contrary in this Section 8, you may disclose Confidential Information if you are required by law to disclose it, provided that you give us at least 10 days notice, if feasible, of your intent to disclose. You may also disclose Confidential Information to your attorneys, accountants, financial and investment advisors, bankers or lending institutions, and other advisors and consultants of a similar nature, provided that any disclosure is only to the extent necessary for your advisors to perform their services for you, and provided that these persons have the obligation, or otherwise agree, to keep the Confidential Information confidential. You will, upon our request, require that your officers, Managers, employees, agents and representatives who may have access to Confidential Information sign covenants to maintain the confidentiality of any information, and these covenants will be in a form acceptable to us and will identify us as a third-party beneficiary with the independent right to enforce them.

SECTION 9: INSPECTIONS AND AUDITS

9.1 Inspections and Audits. You will permit our employees, representatives and agents access to your offices, Unit premises, and other places of business, to perform inspections of your operations (including Unit premises, storage areas, furnishings, fixtures, equipment, signs, inventory and supplies) files, documents, records, products and Mark usage, and to audit your financial and operating books and records (including tax returns) relating to the Franchised Business, with or without prior notice of the inspection or audit. The inspections and audits will occur during normal business hours, although we may observe your operations and accounting activity at any time. You, your officers, Managers, employees, agents, and representatives will cooperate with our inspectors and auditors in the performance of their duties and you will permit us, our representatives and agents to, among other things: take photographs, movies, videotapes or sound recordings; interview your Managers, employees, agents, and representatives; interview your customers; make copies of your books, records and other documents relating to the Franchised Business; and take samples of documents, inventory, supplies, products and other materials relating to the Franchised Business.

9.2 Payments. You will pay us any underpayment of, and we will pay you or credit your account for any overpayment of, royalty fees or marketing fees discovered by an audit. You will pay the reasonable travel, lodging and meal expenses, and costs of our inspection or audit if you fail to cooperate with our auditors or inspectors, or if the audit reveals that you paid us less than 97% of the correct amount of fees for any month. We may publish or disclose the results of our inspections and audits. Our rights under this Section 9 survive for 2 years after termination or expiration of this Agreement.

SECTION 10: RELATIONSHIP OF THE PARTIES

10.1 Independence. You are an independent contractor. You are not our legal representative or agent, and you have no power to obligate us for any purpose whatsoever. We and you have a business relationship based entirely on and circumscribed by this Agreement. No partnership, joint venture, agency, fiduciary or employment relationship is intended or created by reason of this Agreement. You will exercise full and complete control over and have full responsibility for your contracts, daily operations, labor relations, employment practices and policies, including the recruitment, selection, hiring, disciplining, firing, compensation, work rules, and schedules of your employees. At all times, including in connection with all uses of any of the Marks, in connection with the operation of the Franchised Business, and in connection with all dealings with customers, suppliers, public officials, the general public, and others, you will conspicuously indicate your status as an independent contractor, including in all contracts, advertising, publicity, promotional and other marketing materials, and on any signage and uniforms, and in the manner as specified in the Manual or otherwise by us in writing from time to time. You will not make any express or implied agreements, guarantees or representations, or incur any debt in our name or on our behalf. You will not represent that the relationship between you and us is anything other than a franchise relationship. We will not be obligated by or have any liability under any agreements or representations made by you, and we will not be obligated for any damages to any person or property directly or indirectly arising out of the operation of the Franchised Business.

10.2 Joint Status. If you comprise 2 or more persons or entities (notwithstanding any agreement, arrangement or understanding between or among these persons or entities), the rights, privileges and benefits of this Agreement may only be exercised and enjoyed jointly. The liabilities and responsibilities under this Agreement will be the joint and several obligations of all these persons or entities.

SECTION 11: INDEMNIFICATION

11.1 <u>Your Indemnification of Us</u>. Independent of your obligation to procure and maintain insurance, you will indemnify, defend and hold us and our affiliates, the respective officers, directors, partners, shareholders, employees, agents and contractors of these entities, and the successors, assigns, personal representatives, heirs and legatees of all these persons or entities, (collectively, the "Indemnitees") harmless, to the fullest extent permitted by law, from and against all payments or obligations to make payments either (a) to or for third party claimants by any Indemnitees, including refunds, or (b) incurred by any Indemnitees to investigate, respond to or defend a matter, including investigation and trial charges, costs and expenses, attorneys' fees, experts' fees, court costs, settlement amounts, judgments and costs of collection (collectively, "Losses and Expenses"), incurred by any Indemnitee for any investigation, claim, action, suit, demand, administrative or alternative dispute resolution proceeding, actually or allegedly, directly or indirectly, relating to, arising out of, or resulting from or in connection with: any transaction, occurrence or service involving the Franchised Business; your marketing, selling, or serving of products and services; and any breach or violation of any agreement (including this Agreement), or any law, regulation or ruling by, or any act, error or omission (active or passive) of, you, any party associated or affiliated with you or any of the owners, officers, directors, Managers, employees, and agents of you or your affiliates, including when the active or passive negligence of any Indemnitee is alleged or proven.

11.2 <u>Your Indemnification Duties</u>. You will respond promptly to any matter described in Section 11.1, and defend the Indemnitee. You will reimburse the Indemnitee for all costs of defending the matter, including attorneys' fees, incurred by the Indemnitee if your insurer or you do not assume defense of the Indemnitee promptly when requested. We must approve any resolution or course of action in a matter that could directly or indirectly have any adverse effect on us, the Marks or the System, or could serve as a precedent for other matters.

11.3 <u>Our Indemnification of You</u>. We will indemnify, defend and hold you harmless from and against all investigation and trial charges, costs and expenses, attorneys' fees, experts' fees, court costs, settlement amounts, judgments and costs of collection you incur in any action or claim, actually or allegedly, arising out of or resulting from or in connection with the gross negligence or intentional misconduct of us or any of our employees while acting within the course and scope of their employment.

SECTION 12: ASSIGNMENT, TRANSFERS AND CONVEYANCES

12.1 <u>Transfer by Us</u>. We will have the right to transfer or assign all or any part of our rights or obligations under this Agreement to any person or legal entity. With respect to any assignment which results in the subsequent performance by the assignee of all of our obligations under this Agreement, the assignee will expressly assume and agree to perform these obligations, and will become solely responsible for all obligations of us under this Agreement from the date of assignment. Without limiting the foregoing, you expressly acknowledge that we may sell our assets, Marks, or System; may sell our securities in a public offering or in a private placement; may merge, acquire other corporations, or be acquired by another corporation; and may undertake a refinancing, recapitalization, leveraged buy-out, or other economic or financial restructuring.

12.2 <u>Transfer by You</u>. You understand and acknowledge that the rights and duties set forth in this Agreement are personal to you, and that we have granted these rights in reliance on your business experience, skill, financial resources and personal character (and that of your officers, owners, Managers and guarantors, if any). Accordingly, neither you, nor any immediate or remote successor to any part of your interest in this Agreement, nor any individual, partnership, corporation, or other legal entity which directly or indirectly owns any interest in you will sell, encumber, assign, transfer, convey, pledge, merge or give away any direct or indirect interest in this Agreement, in you, or in all or substantially all of the assets of the Franchised Business (collectively, a "Transfer"), unless you first comply with Sections 12.3 and 12.4, and obtain our prior express written consent. Any transaction requiring our consent under this Section 12.2 for which our express written consent is not first obtained will be void, as between you and us. In that event: we may terminate this Agreement under Section 13.2; you will remain responsible for performing the post-termination obligations in Section 14; and your transferee may not operate the Franchised Business under the Marks or the System.

12.3 <u>Conditions</u>. We may, to the extent permitted by applicable law, condition and withhold our consent to a Transfer, when required under Section 12.2 until the transferee and you meet certain conditions. If a Transfer is to occur: (a) the proposed transferee must qualify to be a franchisee in our sole discretion; (b) you or the proposed transferee must provide to us in writing the circumstances of the proposed Transfer; (c) the proposed transferee must provide the same supporting documents as a new franchise applicant; (d) you or the proposed transferee must pay a transfer fee equal to one-half the initial franchise fee we would then charge a new franchisee; (e) the proposed transferee must sign the form of franchise agreement we then offer to prospective franchisees; (f) the proposed transferee and its manager must complete to our satisfaction the initial training we then require for new franchisees and their managers; (g) you or the proposed transferee must refurbish the Unit to conform to our then-current standards and specifications; (h) we must receive general releases from you and each of your owners, and payment of all amounts then owed to us and our affiliates by you, your owners, your affiliates, the transferee, its owners and affiliates, under this Agreement or otherwise; (i) you must not be in default under this Agreement or any other agreement with us or any of our affiliates; (j) you must give us at least 30 days prior written notice of any proposed Transfer; (k) you must provide us with any information about you, your owners, the proposed Transfer, and the proposed transferee as we may reasonably request; (l) the proposed transferee must assume your gift and loyalty card obligations; and (m) the proposed transferee must qualify to be a tenant and be approved by your landlord. Our consent to the transaction will not be effective until these conditions are satisfied.

12.4 Right of First Refusal. Any individual or entity holding any direct or indirect interest in this Agreement or in a substantial portion of the assets of the Unit or in you (if you are an entity) and who desires to accept any bona fide offer from a third party to purchase the relevant interest or assets will notify us in writing of each offer, and will provide any information and documentation relating to the offer as we may require. We will have the right and option, exercisable within 15 days after receipt of this written notification, to send written notice to the seller that we or a nominee designated by us intend to purchase the seller's interest on the same terms and conditions offered by the third party. If we or our nominee elect to purchase the seller's interest, closing of the purchase will occur within 45 days from the date of notice to the seller of the election to purchase by us or our nominee. If we decline to purchase the seller's interest, the seller will have 75 days from the date it gives written notice to us of its purchase offer to sell its interest on the same terms and conditions and to the same transferee as described to us in the written notice. Any material change thereafter in the terms of the offer from a third party will constitute a new offer which will be subject to our right of first refusal under this Agreement. Our failure to exercise the option afforded by this Section 12.4 will not constitute a waiver of any other provision of this Agreement, including all of the other requirements of Section 12 with respect to the proposed Transfer. If the consideration, terms or conditions offered by a third party are of the type that we, or our nominee, may not reasonably be able to furnish the same consideration, terms or conditions, then we or our nominee may purchase the relevant interest proposed to be sold for the reasonable equivalent in cash. If the parties cannot agree within a reasonable time on the reasonable equivalent in cash of the consideration terms or conditions offered by the third party, then each party will select an independent appraiser. The two appraisers will then have up to 15 business days to agree on a reasonable equivalent in cash. If they cannot agree during that period, then they will jointly select a third independent appraiser, whose decision will be final and binding on the parties.

12.5 Transfer to Controlled Entity. Despite any other provision in this Agreement, you will have the right to transfer this Agreement and the Franchised Business to a new entity organized and controlled by you without any additional payment to us subject to the following provisions: (a) you or all owners of you (if you are an entity) must own all interest in the new entity and no additional ownership interest may be created without our express written consent; (b) the new entity must assume all the obligations of the franchisee under this Agreement; (c) you must be current on all amounts due under this Agreement or otherwise owed to us or our affiliates; (d) you must not be in default under this Agreement or any other agreement with us or any affiliate; (e) all owners must guarantee the new entity's payment and performance under this Agreement in the form we require and execute a general release of claims in a form satisfactory to us; and (f) the new entity must execute any assignment and assumption agreements or other documents relating to the Transfer in the forms we require.

12.6 Transfer Upon Death or Permanent Disability. You agree to promptly notify us of any death or claim of permanent disability subject to this Section 12.6. Any transfer upon death or permanent disability shall be subject to the following conditions, as well as to the general transfer conditions described elsewhere in this Section 12 for any inter vivos transfer.

(1) Upon your death (if you are a natural person) or the death of any of your owners who is a natural person (the "Deceased"), the executor, administrator or other personal representative of the Deceased shall transfer such interest to a third party approved by us within six (6) months after the date of death. If no personal representative is designated or appointed or no probate proceedings are instituted with respect to the estate of the Deceased, then the distributee of such interest must be approved by us. If the distributee is not approved by us, then the distributee shall transfer such interest to a third party approved by us within six (6) months after the death of the Deceased.

(2) Upon your permanent disability (if you are a natural person) or the permanent disability of any of your owners who is a natural person, we may, in our sole discretion, require that person's interest to be transferred to a third party in accordance with the conditions described in this Section 12 within six (6) months after notice to you. "Permanent disability" shall mean any physical, emotional or mental injury, illness or incapacity which would prevent a person from performing the obligations set forth in this Agreement or in the guaranty made part of this Agreement for at least ninety (90) consecutive days and from which condition recovery within ninety (90) days from the date of determination of disability is unlikely. Permanent disability shall be determined by a licensed practicing physician selected by us, upon examination of the person, or if the person refuses to submit to an examination, then such person automatically shall be deemed permanently disabled as of the date of such refusal for the purpose of this Section 12.6. We will pay the costs of any examination required by this Section 12.6.

SECTION 13: DEFAULT AND TERMINATION

13.1 Termination by Us without Right to Cure. We may terminate this Agreement for good cause effective immediately upon delivery of notice of termination to you, upon the occurrence of any of the following conditions: (a) you or any guarantor are judged as bankrupt, become insolvent, make an assignment for the benefit of creditors, are unable to pay your debts as they become due, a petition under any bankruptcy law is filed against you, or a receiver or other custodian is appointed for a substantial part of the assets of the Unit; (b) you or any of your owners are convicted of a felony or other crime which may impair the goodwill associated with the Marks in your market area; (c) you or your owners made any material misrepresentation or omission in the application for the Franchise; (d) you make or attempt to make an unauthorized Transfer; (e) the interest in a Unit or this Agreement of a deceased or incapacitated person is not timely Transferred in accordance with the terms of this Agreement; (f) you intentionally understate the Unit's revenues in any report or financial statement; (g) you commit any

2 or more defaults under this Agreement within any 12-month period, regardless of whether any default is cured; (h) you fail to actively operate the Franchised Business for 5 or more consecutive business days unless the Unit is closed because of a casualty or government order, or unless you have our express written approval; (i) you default under any loan, lending agreement, mortgage, deed of trust or lease with any party covering the Unit's premises, and the other party treats the relevant act or omission as a default, and you fail to timely cure the default; (j) you fail to sign a lease for the Unit or begin operating the Unit within the time periods specified in this Agreement; (k) you sell, offer for sale, or give away at the Unit any items or services which have not been previously approved by us in writing, or which have been subsequently disapproved, and you fail to cease these sales or gifts within 24 hours after receipt of notice by us; (l) you or any of your affiliates suffer termination of any other agreement with us or any of our affiliates (provided that we may, at our option and following final notice to you of the termination of another agreement, elect to terminate one or more of your then-existing agreements, or none of your agreements, upon written notice to you); (m) you intentionally maintain false books and records or submit a materially false report to us; (n) you contest in court the ownership or right to franchise and/or any part of the System or the validity of any of the Marks; (o) you operate your business in a manner that endangers the health or safety of the public or your customers, or that violates applicable laws, (p) your assets are condemned, expropriated, seized or otherwise taken over by a governmental authority, (q) you fail to obtain or maintain required insurance coverage, or (r) your initial Manager does not, in our sole opinion, successfully complete, or will not be able to successfully complete, the initial training program to our satisfaction, and you fail to promptly tender a substitute initial Manager who can complete the training program to our satisfaction. The satisfaction of any of these conditions will be deemed to be a material uncurable default under this Agreement.

13.2 <u>Termination by Us With 10-Day Cure Period</u>. If you fail or refuse to timely pay any amounts owed to us or any of our affiliates, we may, at our option, terminate this Agreement by giving you 10 days' written notice of default. If you do not cure the default within this 10-day period, we may terminate this Agreement for good cause effective upon delivery of notice of termination to you.

13.3 <u>Other Termination by Us</u>. Except as provided in Sections 13.1 and 13.2, if you commit a default under any terms or provisions of this Agreement (including, but not limited to, any failure to comply with System Standards as described in Section 3.19), we, at our option, may terminate this Agreement by giving you 30 days' written notice of default. If you do not cure the default within this 30-day period, we may terminate this Agreement for good cause effective upon delivery of notice of termination to you.

13.4 <u>Liquidated Damages for Lost Future Royalties</u>. If you discontinue, renounce or abandon your operations under this Agreement or we otherwise terminate this Agreement due to any material default by you, then, in addition to, and not in lieu of, our other rights and remedies under this Agreement, you may be required to pay us liquidated damages in an amount calculated as: (a) 4.5% of your Unit's average monthly

Gross Sales during the 24 months (or the total number of months your Unit has been open, if less than 24 months) immediately prior to your Unit's closure or termination of this Agreement, whichever is earlier; (b) multiplied by the number of months left in the term of this Agreement. Such amount shall be due and payable to us in one lump sum payment promptly upon our written request for such payment.

13.5 Additional Remedies. We may deny you the benefits of the System for any default under this Agreement, and discontinue System benefits to you for the duration of the default. We may institute proceedings to collect amounts due under this Agreement without first issuing a default or termination notice, and we may initiate a lawsuit or other legal action in any applicable jurisdiction to seek specific performance of your obligations under this Agreement, including, but not limited to, your obligations to comply with the System Standards. Our consent or approval as may be required under this Agreement or the System Standards may be withheld while you are in default under this Agreement or may be conditioned on the cure of all of your defaults. Our termination of this Agreement pursuant to this Section 13 will be in addition to all other remedies, in law or in equity, available to us.

13.6 Governing State Law. If a longer notice or cure period or a different good cause standard is prescribed by applicable law, then this law will apply to any termination of this Agreement.

13.7 Termination by You. You may terminate this Agreement if we have committed a material breach this Agreement and have failed to cure the breach within 90 days after we receive written notice of the breach from you.

SECTION 14: RIGHTS AND OBLIGATIONS UPON EXPIRATION OR TERMINATION

14.1 Payment of Amounts Due to Us. Upon expiration or termination of this Agreement, you will pay all amounts owed to us under this Agreement within 10 days. You will continue to owe us royalty fees and marketing fees on Gross Sales as long as your operations are identified under the System or any Marks. At the time you make payments to us following termination, you will provide us with a complete accounting of all amounts due.

14.2 System Usage Ceases. Upon expiration or termination of this Agreement, you will immediately stop using the System to operate your business. You must return to us, within 10 days after expiration or termination, all of our proprietary software (including archive and backup copies), all copies of the Manual and training materials, Confidential Information, and all other personal property of ours which are in your possession, custody or control. If you fail to completely do so, we have the right, to the extent permitted by applicable law and without prior notice, to enter your premises and any other locations, and remove these items. You must also delete from your computer equipment any electronic versions of the Manuals and all other Confidential Information.

14.3 <u>Mark Usage Ceases</u>. Upon expiration or termination of this Agreement, you will immediately stop using the Marks to operate and identify your business, and all of your rights relating to the Marks are immediately assigned and revert to us. You will sign any documents we request in this regard, without additional consideration.

14.4 <u>Change of Identification</u>. Upon expiration or termination of this Agreement, you will remove or obliterate the Marks from all products, marketing materials, supplies, signage and other items bearing any Marks, and you will follow the other steps we may require in the Manuals or otherwise in writing for changing the identification of your operations. You will promptly paint over or remove the distinctive System trade dress, color schemes, signage and other physical features. You will not use any reproduction, counterfeit copy, or colorable imitation of the Marks either in connection with any business or the promotion thereof, which is likely to cause confusion, mistake, or deception or which is likely to dilute our exclusive rights in and to the Marks, and you will not utilize any designation of origin or description or representation which falsely suggests or represents an association or connection with us so as to constitute unfair competition. You will make any modifications or alterations to the Unit premises immediately upon expiration or termination of this Agreement as may be necessary to prevent any association between us or the System and any business later operated by you or others, and will make specific additional changes thereto as we may reasonably request for that purpose. If you fail or refuse to comply with the requirements of this Section 14.4, we will have the right to enter upon the Unit premises to make or cause to be made the changes as may be required at your expense which expense you agree to pay upon demand. We will exercise reasonable care in making these changes, but we will have no obligation or liability to restore your premises to its condition before we make these changes. We will have the right to remove or obliterate the Mark-bearing portion of your supplies and equipment, and you will promptly pay or reimburse us for our costs of doing so.

14.5 <u>Transfer of Telephone Numbers, e-mail Addresses and Web Site Pages</u>. Upon expiration or termination of this Agreement, you will immediately, upon our demand, cease to use any telephone numbers, email addresses and Internet web site pages or accounts (including social networking sites like Facebook, My Space and Twitter) obtained or used in connection with the Franchised Business, and you will transfer these telephone numbers, email addresses and Internet web site pages/accounts to us or our designee. You will immediately notify the telephone company and any applicable email or Internet provider of any transfer, and you will use your best efforts to assist us in an orderly transfer.

14.6 <u>Cancellation of Assumed Name Registration</u>. Upon expiration or termination of this Agreement, you will take all action necessary to cancel or assign to us or our designee any assumed name or equivalent registration which contains any Mark, and you will furnish us with evidence satisfactory to us of compliance with this obligation within 30 days after expiration or termination of this Agreement. If you fail or refuse to do so, we may, in your name, on your behalf, and at your expense, sign any necessary documents, and you hereby irrevocably appoint us as your attorney-in-fact to effectuate the foregoing obligation.

14.7 Non-Competition. In order to protect our proprietary trade secrets and other Confidential Information and in consideration of our providing you with specialized training and access to our trade secrets and other Confidential Information, you, your owners and Managers will not, for a period of 2 years following termination or expiration of this Agreement or following a Transfer: (a) engage in, assist, acquire, advise, consult with, be employed by, own or become associated in any way with any business whose methods of operation, trade dress, or business concept is the same as or similar to that of the System or the Marks, or which sells primarily gelato; (b) engage in, assist, acquire, advise, consult with, be employed by, own or become associated in any way with any business which sells gelato and which is located within a radius of 25 miles from your former Unit location, or the location of any Units of any of our affiliates or other franchisees; (c) solicit or otherwise induce our employees or the employees of any of our affiliates or other franchisees to leave their employment; and (d) divert or attempt to divert any customer of ours or any of our affiliates or franchisees to any competitor. The parties agree that each of the foregoing covenants will be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Section 14.7 is held unreasonable or unenforceable by a court or agency having valid jurisdiction in a final decision to which we are a party, you expressly agree to be bound by any lesser covenant subsumed within the terms of the relevant covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Section 14.7.

14.8 Right to Purchase Assets. We will have the right (but not the obligation), to be exercised by notice of intent to do so within 30 days after termination or expiration of this Agreement, to purchase for cash any of the assets of the Unit including inventory, furnishings, fixtures, equipment, products, supplies, interior and exterior signs, and marketing materials, as well as all items bearing our Marks, at your cost or fair market value, whichever is less, subject to our acceptance of the applicable price. The purchase price will not include any value for any goodwill or going concern value associated with the Franchised Business. If the parties cannot agree on fair market value within 15 days after we provide you with our notice of intent to purchase, each party will designate an independent professionally trained and certified business asset appraiser, and the appraisers' joint determination of fair market value will be binding as to fair market value of the relevant assets. If the appraisers cannot agree on fair market value, then the average of the appraisals will be binding as to fair market value of the relevant assets. If we elect to exercise our right to purchase assets under this Section 14.8 and accept the price, closing will take place as soon as practicable and within 30 days after the purchase price has been determined. We will have the right to offset all amounts due from you under this Agreement, and our cost of the appraisal, if any, against any payment therefor. We also have the right to an assignment of your lease for the Unit premises, if provided for in your lease under Section 2.3. Upon our written request for assignment of your lease, you will promptly cooperate with us to effectuate the assignment as soon as practicable. At all times after we have given written notice for assignment of your lease, you hereby authorize us to use the Unit premises and other assets of the Unit for the continued operation of the Unit for our own account, for which we will pay you the applicable rent and utility expenses.

14.9 Survival of Certain Provisions. Sections 3.12, 3.13, 3.17, 5, 6, 7, 8, 9, 10, 11, 14, 15 and 16 survive termination or expiration of this Agreement or a Transfer by you, regardless of whom initiates termination or whether termination is wrongful. You will continue to comply with your obligations under these sections following termination or expiration of this Agreement or a Transfer by you until these obligations, by their nature or by the relevant express provisions, expire.

SECTION 15: DISPUTE RESOLUTION

15.1 Informal Dispute Resolution. Before initiating any mediation or litigation proceeding for any dispute arising under or relating to this Agreement or otherwise relating to the Franchised Business, the party intending to initiate the proceeding will notify the other party in writing of the existence and nature of the dispute. Within 15 business days after the other party's receipt of the notice, one of our officers or managers will meet with you, or if you are an entity, one of your owners, officers or Managers, at our principal place of business, or other mutually agreeable location, to negotiate in good faith in an effort to resolve the dispute amicably. If this informal attempt to resolve the dispute is unsuccessful, either party may initiate mediation as described in Section 15.2.

15.2 MEDIATION AND LITIGATION.

A. MEDIATION. WE AND YOU ACKNOWLEDGE THAT DURING THE TERM OF THIS AGREEMENT CERTAIN DISPUTES MAY ARISE THAT WE AND YOU ARE UNABLE TO RESOLVE, BUT THAT MAY BE RESOLVABLE THROUGH MEDIATION. TO FACILITATE SUCH RESOLUTION, YOU AND WE AGREE TO SUBMIT ANY CLAIM, CONTROVERSY OR DISPUTE BETWEEN US OR ANY OF OUR AFFILIATES (AND OUR AND THEIR RESPECTIVE OWNERS, OFFICERS, DIRECTORS, AGENTS, REPRESENTATIVES AND/OR EMPLOYEES) AND YOU (AND YOUR OWNERS, AGENTS, REPRESENTATIVES AND/OR EMPLOYEES) ARISING OUT OF OR RELATED TO (a) THIS AGREEMENT OR ANY OTHER AGREEMENT BETWEEN US AND YOU, (b) OUR RELATIONSHIP WITH YOU, OR (c) THE VALIDITY OF THIS AGREEMENT OR ANY OTHER AGREEMENT BETWEEN US AND YOU, TO NON-BINDING MEDIATION BEFORE BRINGING SUCH CLAIM, CONTROVERSY OR DISPUTE IN A COURT OR BEFORE ANY OTHER TRIBUNAL.

(1) THE MEDIATION SHALL BE CONDUCTED BY A MEDIATOR AGREED UPON BY YOU AND US AND, FAILING SUCH AGREEMENT WITHIN NOT MORE THAN FIFTEEN (15) DAYS AFTER EITHER PARTY HAS NOTIFIED THE OTHER OF ITS DESIRE TO SEEK MEDIATION, A MEDIATOR SELECTED BY THE

AMERICAN ARBITRATION ASSOCIATION OR ANY SUCCESSOR ORGANIZATION ("AAA") IN ACCORDANCE WITH ITS RULES GOVERNING MEDIATION. MEDIATION SHALL BE HELD AT THE OFFICES OF THE AAA NEAREST TO OUR PRINCIPAL PLACE OF BUSINESS, WHICH IS CURRENTLY IN DALLAS, TEXAS. THE COSTS AND EXPENSES OF MEDIATION, INCLUDING THE COMPENSATION AND EXPENSES OF THE MEDIATOR (BUT EXCLUDING ATTORNEYS' FEES INCURRED BY EITHER PARTY), SHALL BE BORNE BY THE PARTIES EQUALLY.

(2) IF THE PARTIES ARE UNABLE TO RESOLVE THE CLAIM, CONTROVERSY OR DISPUTE WITHIN 45 DAYS AFTER THE MEDIATOR HAS BEEN CHOSEN, THEN, UNLESS SUCH TIME PERIOD IS EXTENDED BY WRITTEN AGREEMENT OF THE PARTIES, EITHER PARTY MAY BRING A LEGAL PROCEEDING PURSUANT TO SECTION 15.2(B). WE AND YOU AGREE THAT STATEMENTS MADE BY EITHER YOU OR US IN ANY SUCH MEDIATION PROCEEDING WILL NOT BE ADMISSIBLE FOR ANY PURPOSE IN ANY SUBSEQUENT LEGAL PROCEEDING.

(3) NOTWITHSTANDING THE FOREGOING PROVISIONS OF THIS SECTION 15.2(A), YOUR AND OUR AGREEMENT TO MEDIATE SHALL NOT APPLY TO CONTROVERSIES, DISPUTES OR CLAIMS RELATED TO OR BASED ON THE MARKS OR THE CONFIDENTIAL INFORMATION. MOREOVER, REGARDLESS OF YOUR AND OUR AGREEMENT TO MEDIATE, YOU AND WE EACH HAVE THE RIGHT IN A PROPER CASE TO SEEK TEMPORARY RESTRAINING ORDERS AND TEMPORARY OR PRELIMINARY INJUNCTIVE RELIEF.

B. LITIGATION. WITH RESPECT TO ANY CONTROVERSIES, DISPUTES OR CLAIMS WHICH ARE NOT FINALLY RESOLVED THROUGH MEDIATION AS PROVIDED IN SECTION 15.2(A) ABOVE, THE PARTIES IRREVOCABLY SUBMIT THEMSELVES TO THE JURISDICTION OF THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF TEXAS – DALLAS DIVISION OR THE STATE COURTS OF TEXAS, DALLAS COUNTY OR THE FEDERAL OR STATE COURT FOR THE JURISDICTION IN WHICH WE THEN HAVE OUR PRINCIPAL OFFICE AND HEREBY WAIVE ALL QUESTIONS OF PERSONAL JURISDICTION FOR THE PURPOSE OF CARRYING OUT THIS PROVISION. YOU AND WE AGREE THAT SERVICE OF PROCESS MAY BE MADE UPON YOU OR US IN ANY PROCEEDING RELATING TO OR ARISING OUT OF THIS AGREEMENT OR THE RELATIONSHIP CREATED BY THIS AGREEMENT BY ANY MEANS ALLOWED BY TEXAS OR FEDERAL LAW. YOU AND WE FURTHER AGREE THAT VENUE FOR ANY PROCEEDING RELATING TO OR ARISING OUT OF THIS AGREEMENT SHALL BE DALLAS COUNTY, TEXAS; PROVIDED THAT WE HAVE THE OPTION TO BRING SUIT AGAINST YOU INVOLVING ANY CLAIM FOR INJUNCTIVE RELIEF OR THE RECOVERY OF ANY INTEREST IN REAL PROPERTY, IN ANY STATE OR FEDERAL COURT HAVING PROPER JURISDICTION OVER SUCH MATTERS, INCLUDING THE COURTS OF YOUR HOME STATE.

C. <u>GOVERNING LAW</u>. EXCEPT TO THE EXTENT GOVERNED BY THE UNITED STATES TRADEMARK ACT OF 1946 (LANHAM ACT, 15 U.S.C. SECTIONS 1051 <u>ET SEQ.</u>) OR OTHER FEDERAL LAW, THIS AGREEMENT, THE FRANCHISE, AND ALL CLAIMS ARISING FROM THE RELATIONSHIP BETWEEN US AND YOU WILL BE GOVERNED BY AND INTERPRETED AND CONSTRUED UNDER TEXAS LAW (EXCEPT FOR TEXAS CONFLICT OF LAW RULES).

D. <u>PARTIES' ACKNOWLEDGMENTS</u>. YOU AND WE ACKNOWLEDGE THAT THE AGREEMENTS REGARDING APPLICABLE STATE LAW AND FORUM SET FORTH ABOVE PROVIDE EACH OF US WITH THE MUTUAL BENEFIT OF UNIFORM INTERPRETATION OF THIS AGREEMENT AND ANY DISPUTE ARISING OUT OF THIS AGREEMENT OR THE RELATIONSHIP CREATED BY THIS AGREEMENT. YOU AND WE FURTHER ACKNOWLEDGE THE RECEIPT AND SUFFICIENCY OF MUTUAL CONSIDERATION FOR SUCH BENEFIT.

E. <u>WAIVER OF PUNITIVE DAMAGES</u>. EXCEPT WITH RESPECT TO YOUR OBLIGATION TO INDEMNIFY US PURSUANT TO SECTION 11.1 AND CLAIMS WE BRING AGAINST YOU FOR YOUR UNAUTHORIZED USE OF THE MARKS OR UNAUTHORIZED USE OR DISCLOSURE OF ANY CONFIDENTIAL INFORMATION, WE AND YOU AND YOUR OWNERS WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER AND AGREE THAT, IN THE EVENT OF A DISPUTE BETWEEN YOU AND US, THE PARTY MAKING A CLAIM WILL BE LIMITED TO EQUITABLE RELIEF AND TO RECOVERY OF ANY ACTUAL DAMAGES IT SUSTAINS.

F. <u>LIMITATIONS OF CLAIMS</u>. EXCEPT FOR CLAIMS WE BRING WITH REGARD TO YOUR OBLIGATIONS TO INDEMNIFY US PURSUANT TO SECTION 11.1, ANY AND ALL CLAIMS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE RELATIONSHIP BETWEEN YOU AND US PURSUANT TO THIS AGREEMENT WILL BE BARRED UNLESS AN ACTION IS COMMENCED WITHIN ONE (1) YEAR FROM THE DATE ON WHICH THE ACT OR EVENT GIVING RISE TO THE CLAIM OCCURRED, OR ONE (1) YEAR FROM THE DATE ON WHICH YOU OR WE KNEW OR SHOULD HAVE KNOWN, IN THE EXERCISE OF REASONABLE DILIGENCE, OF THE FACTS GIVING RISE TO SUCH CLAIMS, WHICHEVER OCCURS FIRST.

G. <u>JURY WAIVER</u>. YOU AND WE HEREBY UNCONDITIONALLY AND IRREVOCABLY WAIVE ANY RIGHT TO A JURY TRIAL IN ANY ACTION ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT, THE RELATIONSHIP CREATED BY THIS AGREEMENT, OR ANY OTHER AGREEMENTS BETWEEN YOU AND US OR YOUR AND OUR RESPECTIVE AFFILIATES. THE SCOPE OF THIS WAIVER IS INTENDED TO BE ALL ENCOMPASSING OF ANY AND ALL DISPUTES THAT MAY BE FILED IN ANY COURT. IN THE EVENT OF LITIGATION, THIS AGREEMENT MAY BE FILED AS WRITTEN CONSENT TO A TRIAL BY THE COURT.

H. COSTS AND ATTORNEYS' FEES. IF WE INCUR EXPENSES IN CONNECTION WITH YOUR FAILURE TO PAY WHEN DUE AMOUNTS OWED TO US, OR TO SUBMIT WHEN DUE ANY REPORTS, INFORMATION OR SUPPORTING RECORDS, OR OTHERWISE TO COMPLY WITH THIS AGREEMENT, YOU AGREE TO REIMBURSE US FOR ANY OF THE COSTS AND EXPENSES WHICH WE INCUR, INCLUDING, WITHOUT LIMITATION, COURT COSTS AND ANY ACCOUNTING, ATTORNEYS', MEDIATORS', AND RELATED FEES.

15.3 Provisional Remedies. Notwithstanding the provisions of Sections 15.1 and 15.2(A), each party will have the right to seek from an appropriate court any injunctive relief or other provisional remedies, including declaratory relief, specific enforcement, temporary restraining orders or preliminary injunctions, before, during, after or instead of informal dispute resolution or mediation for protection of the Marks and other intellectual property, enforcement of confidentiality and non-competition obligations, or enforcement of post-term obligations. Neither party is required to await the outcome of any informal dispute resolution or mediation before seeking injunctive relief or other provisional remedies. The seeking of injunctive relief or other provisional remedies will not be deemed to be a waiver of either party's right to compel informal dispute resolution or mediation. You acknowledge that any failure to fully and strictly comply with Section 3.18, Section 8 or Section 14 will result in irreparable injury to us for which there is no adequate remedy at law, and you agree that, in the event of any noncompliance with any of Section 14, we will be entitled to temporary, preliminary and permanent injunctions and all other equitable relief that any court with jurisdiction may deem just and proper. Any action seeking injunctive relief or other provisional remedies will be brought in any state or federal court within the jurisdiction in which we then have our principal office, or in any other state court or federal district court with proper jurisdiction. The parties consent to the exercise of personal jurisdiction over them by these courts, and to the propriety of venue in these courts for the purpose of this Section 15.3, and the parties waive any objections that they would otherwise have in this regard. Both parties waive the posting of any bond in connection with any injunctive relief or other provisional remedy.

15.4 Costs of Enforcement. If either party secures any provisional remedy pursuant to Section 15.3, or enforces any provision of this Agreement, or collects any amounts due under this Agreement by or through an attorney at law or collection agency, the other party will be liable for all costs and expenses of enforcement and collection including court costs and reasonable attorneys' fees and expenses (including the fair market value of any time expended by any in-house legal counsel employed by us).

15.5 No Objection to Jurisdiction. The parties agree that it is in their best interest to resolve disputes between them in an orderly fashion and in a consistent manner in the location where this Agreement was entered into and where many of the relevant witnesses and documents are located. Therefore, the parties agree that any litigation relating to this Agreement or the operation of the Franchised Business will take place in the location and courts specified in Section 15.2(B). The parties consent to the exercise of personal jurisdiction over them by such courts, and to the propriety of venue in these courts for the purpose of this Agreement, and the parties waive any objections that they would otherwise have in this regard. Each of the parties specifically waives any defense of inconvenient forum to the maintenance of any action or proceeding so brought and waives any bond, surety, or other security that might be required of any other party with respect thereto.

15.6 <u>Waivers</u>. THE PARTIES WAIVE ANY RIGHT TO BRING CLAIMS RELATED TO THIS AGREEMENT AS A CLASS ACTION OR ON A CONSOLIDATED BASIS. IT IS THE INTENT OF THE PARTIES THAT ANY MEDIATION OR LITIGATION BETWEEN THEM WILL BE OF INDIVIDUAL CLAIMS, AND THAT THE CLAIMS SUBJECT TO MEDIATION OR LITIGATION WILL NOT BE RESOLVED AS A CLASS ACTION OR ON A CONSOLIDATED BASIS. THE PARTIES AGREE THAT ACTUAL DAMAGES ARE SUFFICIENT TO SATISFY ANY ECONOMIC LOSS ARISING OUT OF OR UNDER THIS AGREEMENT, AND THEY WAIVE ALL CLAIMS FOR PUNITIVE OR EXEMPLARY DAMAGES IN ANY MEDIATION OR LITIGATION.

SECTION 16: GENERAL PROVISIONS

16.1 <u>Partial Invalidity</u>. If all or any part of a provision of this Agreement violates applicable law, the relevant provision or part will not be given effect. If all or any part of a provision of this Agreement is declared invalid or unenforceable, for any reason, or is not given effect by reason of the prior sentence, the remainder of the Agreement will not be affected, and the parties will modify the invalid or unenforceable provision to the extent required to be valid and enforceable. However, if in our judgment this result substantially impairs the value of this Agreement to us, then we may at any time terminate this Agreement by written notice to you, without penalty or compensation owed by either party.

16.2 <u>Waivers, Modifications and Approvals</u>. Whenever this Agreement requires our prior approval or consent, you will make a timely written request to us therefor, and we may withhold, condition or withdraw our consent in our sole discretion. If we allow you to deviate from this Agreement, we may insist on strict compliance at any time after written notice. Our silence or inaction will not be or establish a waiver, consent, course of dealing, implied modification or estoppel. To be effective, any modifications, waivers, approvals and consents of or under this Agreement by us must be designated as such, in writing, and signed by our authorized representative.

16.3 <u>Notices</u>. Unless otherwise specified in this Agreement, all notices, reports and other information and documents permitted or required to be delivered under this Agreement will be in writing and delivered to us at 1215 Viceroy Drive Dallas, Texas 75247, fax number 214-654-9509, email address ugo@paciugo.com, or to you at the address, fax number or email address of the franchisee listed on the signature page of this Agreement. Either party may modify its address, fax number or email address for notices from time to time by written notice to the other party sent by certified or registered first class mail, return receipt requested. Notices will be effective if in writing and delivered to the appropriate party by first class, prepaid certified or registered mail, return receipt requested, or by fax or email. Notices sent by mail will be effective on the date delivered or date of first attempted delivery, if delivery is refused. Notices sent by fax or email will be effective on the date sent. For purposes of this provision, notices sent by fax or email will be deemed to be in writing.

16.4 Remedies. Remedies specified in this Agreement are cumulative and the exercise of any remedy under this Agreement does not exclude any remedies available at law or in equity. The non-prevailing party will pay all costs and expenses, including reasonable attorneys' fees, incurred by the prevailing party to enforce this Agreement or collect amounts owed under this Agreement.

16.5 Force Majeure. Despite anything in this Agreement to the contrary, neither party will be in default under the Agreement by reason of its delay in performance of, or failure to perform, any of its obligations under this Agreement, if this delay or failure is caused by strikes or other labor disturbance; acts of God; terrorist acts; riots or other civil disturbances; fire; flood; interference by civil or military authorities; compliance with governmental laws, rules, or regulations which were not in effect and could not be reasonably anticipated as of the date of this Agreement; delays in transportation, failure of delivery by suppliers, or inability to secure necessary governmental priorities for materials; or any other fault beyond its control or without its fault or negligence. In this case, the time required for performance of the relevant obligation will be the duration of the unavoidable delay.

16.6 Miscellaneous. This Agreement takes effect upon its acceptance and execution by us in Texas. Except as expressly provided in this Agreement, there are no third party beneficiaries. No agreement between us and anyone else is for your benefit. The section headings in this Agreement are for convenience of reference only. All references in this Agreement to Sections or Exhibits refer to the relevant sections and exhibits, respectively, of this Agreement. This Agreement, together with the exhibits and any addenda attached, is the entire agreement, and supersedes all prior representations, agreements and understandings (oral or written) of the parties, provided, however, that nothing in this or any related agreement is intended to disclaim the representations made in the franchise disclosure document that we furnished to you. This Agreement may be signed in one or more counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument. Except as expressly provided in this Agreement, this Agreement is binding on and will inure to the benefit of the parties hereto and their respective legal representatives, successors and assigns. Time is of the essence.

16.7 State Addenda. The laws of certain states may supersede some of the provisions of this Agreement, and certain states require us to supplement or modify the provisions of this Agreement. If applicable, these supplements and modifications are contained in State Addenda attached as *Exhibit B*. When you sign this Agreement, you will also sign a state-specific addendum if appropriate. If multiple state addenda are made part of this Agreement, these state addenda will be construed and applied as narrowly as possible, consistent with applicable state law, in order to avoid potential conflicts between them.

SECTION 17: ACKNOWLEDGMENTS

17.1 Accurate Information. You represent that all information in any applications, financial statements and submissions you provided to us is true, complete and accurate in all respects. You acknowledge that we are relying upon the truthfulness, completeness and accuracy of that information in our decision to enter into this Agreement with you.

Your initials: _______________

17.2 Proper Disclosure. You acknowledge that we or our agent have provided you with our current disclosure document not later than the earlier of: (a) 14 calendar days before the execution of this Agreement or any other binding agreement with us or any of our affiliates, or (b) 14 calendar days before any payment of any consideration to us or any of our affiliates in connection with this transaction. You acknowledge that we have provided you with a copy of this Agreement and all related documents, fully completed (with the possible exception of names, addresses and other non-material items), at least 7 calendar days before you sign this Agreement.

Your initials: _______________

17.3 Consultation and Understanding. You represent and acknowledge that: (a) you have read and understood this Agreement and our disclosure document; (b) we have fully and adequately explained the provisions of each document to your satisfaction; (c) we have advised you to consult with your own attorneys, accountants, or other advisers about the potential benefits and risks of entering into this Agreement; (d) you have had ample opportunity to consult with advisors of your own choosing; and (e) our attorneys have not advised or represented you with respect to any matters.

Your initials: _______________

17.4 Independent Investigation of Risks. You represent that you have conducted an independent investigation of the business contemplated by this Agreement, and you acknowledge that, like any other business, an investment in the Franchised Business involves unavoidable business risks. You acknowledge that the success of the Franchised Business is primarily dependent upon the business abilities and efforts of you and your Manager and employees.

Your initials: _______________

17.5 No Warranty or Guarantee. You acknowledge that you have not received or relied upon any warranty or guarantee, express or implied, as to the potential revenues, income, profits, volume or success of the business venture contemplated by this Agreement. You acknowledge that you have read this Agreement and our disclosure document, and that you have no knowledge of any representation by us or any of our officers, directors, shareholders, employees or agents that are contrary to the statements made in our disclosure document or contrary to the terms of this Agreement. We expressly disclaim the making of any warranty, guarantee or representations of this type.

Your initials: _______________

17.6 **Reasonable Covenants.** The covenants not to compete in this agreement are fair and reasonable and will not impose any undue hardship on you or your owners, since you and your owners have other considerable skills, experience and education which afford you and your owners the opportunity to derive income from other endeavors.

Your initials: _______________

17.7 **No Other Agreements.** You acknowledge that this Agreement, the documents referred to in this Agreement, the attachments hereto, and other agreements signed concurrently with this Agreement, if any, constitute the entire, full and complete Agreement between us and you concerning the subject matter covered in this Agreement. This Agreement terminates and supersedes any prior agreement between the parties concerning the same subject matter, and any oral or written representations which are inconsistent with the terms of this Agreement or our disclosure document.

Your initials: _______________

17.8 **No Business Opportunity Representations.** You acknowledge that neither we nor any of our officers, directors, shareholders, employees or agents have made any representation that: (a) we may purchase any or all products made, produced, fabricated or modified by you; (b) we guarantee that you will derive income from the Franchised Business which will exceed the initial franchise fee; (c) we guarantee that we will refund all or part of the initial franchise fee if you are not satisfied with the Franchise; or (d) we will provide a sales program or marketing program which will enable you to derive income from the Franchised Business which exceeds the initial franchise fee.

Your initials: _______________

IN WITNESS WHEREOF, the parties have signed and delivered this Agreement as of the Effective Date.

YOU, as Franchisee:

If you are an entity:

Entity name (if any): ______________________________
Entity Type: ______________________________
State of Formation: ______________________________

If you are not an entity, you sign this Agreement on behalf of yourself, individually, and on behalf of any controlled entity you later assign this Agreement to (which requires our written consent).

Franchisee's Address for Notices:

____

____

Telephone number: ________________________

Fax number: ____________________________

Email address: __________________________

By: ___________________________________

Print Name: ____________________________

Title: __________________________________

By: ___________________________________

Print Name: ____________________________

Title: __________________________________

Date Signed: ___________________________

PACIUGO FRANCHISING LP
as Franchisor:

By: Paciugo Management, LLC, its General Partner

By: _____________________________

Name: Ugo Ginatta

Title: Chief Executive Officer

Effective Date: __________

EXHIBIT A
to the Paciugo Franchising LP Franchise Agreement

APPROVED LOCATION AND PROTECTED TERRITORY

Approved Location:

The Approved Location for the Unit as provided in Section 1.3 of the Agreement is:

____

NOTE: If a particular site has not been selected and approved at the time the parties sign this Agreement, this *Exhibit A* may describe the location in general terms. In that case, after we have approved a location for your Franchised Business, the specific address of that location will automatically become the Approved Location in this *Exhibit A* as if originally described in this *Exhibit A* instead of the general description.

Protected Territory:

The Protected Territory as provided in Section 1.4 of the Agreement is:

____

NOTE: If your franchised location is in a mall, the Protected Territory will be the mall itself; otherwise, the size of your Protected Territory will be determined by us for the specific location.

Unit Type: (Initial one)

______ Paciugo Gelato Caffè Unit

______ Paciugo Gelato Caffè Kiosk Unit

FRANCHISEE:	FRANCHISOR:
Entity name (if any):	Paciugo Franchising LP
______________________________	
By: ______________________________	By: ______________________________
Printed Name: ______________________	Name: ______________________
Title: ______________________________	Title: ______________________________
By: ______________________________	Date: ______________________________
Printed Name: ______________________	
Title: ______________________________	

EXHIBIT B
to the Paciugo Franchising LP Franchise Agreement

STATE ADDENDA

Following this page are addenda to the Agreement for the following states:

1. Arkansas
2. California
3. Hawaii
4. Illinois
5. Indiana
6. Iowa
7. Maryland
8. Minnesota
9. Missouri
10. Nebraska
11. New Jersey
12. New York
13. North Dakota
14. Rhode Island
15. Washington
16. Wisconsin

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ARKANSAS

Notwithstanding anything to the contrary set forth in the Agreement, the following provision will supersede and apply to all franchises offered and sold in the State of Arkansas:

1. Any provision of the Agreement that would require you, at the time you enter into the Agreement, to assent to a release, assignment, novation, waiver or estoppel which would relieve any person from liability imposed by the Arkansas Franchise Practices Act is void to the extent that the provision violates this law.

CALIFORNIA

Notwithstanding anything to the contrary set forth in the Agreement, the following provisions will supersede and apply to all franchises offered and sold in the State of California:

1. Any condition, stipulation or provision in the Agreement which would result in your waiver of compliance with any provision of the California Franchise Relations Act is void to the extent that the contractual provision violates this act.

2. To the extent that Sections 15.2 or 15.5 of the Agreement would otherwise violate California law, these sections are amended by providing that all litigation by or between you and us, involving a Unit in the State of California, which arises directly or indirectly from the Agreement will be commenced and maintained in the state courts of California or the United States District Court for California, with the specific venue in either court system determined by appropriate jurisdiction and venue requirements.

HAWAII

Notwithstanding anything to the contrary set forth in the Agreement, the following provision will supersede and apply to all franchises offered and sold in the State of Hawaii:

1. Any provision of the Agreement that requires you, at the time you enter into the Agreement, to assent to a release, assignment, novation, or waiver which would relieve any person from liability imposed by Hawaii Franchise Investment Law is deleted from the Agreement.

ILLINOIS

Notwithstanding anything to the contrary set forth in the Agreement, the following provisions will supersede and apply to all franchises offered and sold in the State of Illinois:

1. To the extent that Sections 15.2 or 15.5 of the Agreement would otherwise violate Illinois law, these sections are amended by providing that all litigation by or between you and us, arising directly or indirectly from the franchise relationship, will be commenced and maintained in the state courts of Illinois or, at our election, the United States District Court for Illinois, with the specific venue in either court system determined by appropriate jurisdiction and venue requirements.

2. The Illinois Franchise Disclosure Act, as amended, applies to this transaction and supersedes any conflicting provisions of the Agreement or Texas law.

3. Any provision in the Agreement that would require you to waive any right granted by the Illinois Franchise Disclosure Act is deleted from Agreement.

INDIANA

Notwithstanding anything to the contrary set forth in the Agreement, the following provisions will supersede and apply to all franchises offered and sold in the State of Indiana:

1. The laws of the State of Indiana supersede any provisions of the disclosure document, the Agreement, or Texas law, if the provisions are in conflict with Indiana law.

2. The prohibition by Indiana Code 23-2-2.7-1(7) against unilateral termination of the franchise without good cause or in bad faith, good cause being defined therein as including any material breach of the Agreement, will supersede the provisions of Section 13 of the Agreement to the extent Section 13 may be inconsistent with this prohibition.

3. Any provision in the Agreement which would require you to prospectively assent to a release, assignment, novation, waiver or estoppel which purports to relieve any person from liability imposed by the Indiana Deceptive Franchise Practices Law is void to the extent that the provision violates this law.

4. Section 14.7 of the Agreement will be modified to the extent necessary to comply with Indiana Code 23-2-2.7-1 (9).

5. The following provision will be added to the Agreement as Section 15.7:

15.7 No Limitation on Litigation. Notwithstanding the foregoing provisions of this Section 15, any provision in the Agreement which limits in any manner whatsoever litigation brought for breach of the Agreement will be void to the extent that any contractual provision violates the Indiana Deceptive Franchise Practices Law.

IOWA

Notwithstanding anything to the contrary set forth in the Agreement, the following provision will supersede and apply to all franchises offered and sold in the State of Iowa:

1. Any provision in the Agreement which would result in your waiver of any rights under Iowa Business Opportunity Promotions Law prior to or at the time of execution of the Agreement is void to the extent that the provision violates this law.

MARYLAND

Notwithstanding anything to the contrary set forth in the Agreement, the following provisions will supersede and apply to all franchises offered and sold in the State of Maryland:

1. Any provision in the Agreement (including Sections 1.7 and 12.3) that would require you, as part of the Agreement or as a condition of the sale, renewal or assignment of the franchise, to assent to a release which would relieve any person from liability imposed under the provisions of the Maryland Franchise Law is void to the extent that the provision violates this law.

2. Any provision in the Agreement (including Section 15) which operates to waive your right to file a lawsuit alleging a cause of action arising under the Maryland Franchise Law in any court of competent jurisdiction in the State of Maryland is void to the extent that the provision violates this law. Subject to Sections 15.2 and 15.5, claims arising under the Maryland Franchise Law may be brought in any court of competent jurisdiction in Maryland.

MINNESOTA

Notwithstanding anything to the contrary set forth in the Agreement, the following provisions will supersede and apply to all franchises offered and sold in the State of Minnesota:

1. Any provision in the Agreement which would require you to assent to a release, assignment, novation or waiver that would relieve any person from liability imposed by

Minnesota Statutes, Sections 80C.01 to 80C.22 will be void to the extent that the contractual provision violates this law.

2. Minnesota Statute § 80C.21 and Minnesota Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the disclosure document or Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction. Any provision in the Agreement which would require you to waive your rights to any procedure, forum or remedies provided for by the laws of the State of Minnesota is deleted from any Agreement relating to franchises offered and sold in the State of Minnesota; provided, however, that this paragraph will not affect the obligation in the Agreement relating to exclusive mediation.

3. The following language will appear as Section 15.7 of the Agreement.

> **15.7 No Abrogation**. Pursuant to Minnesota Statutes, Section 80C.21, Section 15 of this Agreement will not in any way abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C.

4. With respect to franchises governed by Minnesota law, we will comply with Minnesota Statute Section 80C.14, Subds. 3, 4, and 5 which require, except in certain specified cases, that you be given 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the Agreement.

5. We will protect your rights under this Agreement to use the Marks, or indemnify you from any loss, costs or expenses arising out of any third-party claim, suit or demand regarding your use of the Marks, if your use of the Marks is in compliance with the provisions of the Agreement and the System Standards.

MISSOURI

Notwithstanding anything to the contrary set forth in the Agreement, the following provision will supersede and apply to all franchises offered and sold in the State of Missouri:

1. Termination provisions contained in the Agreement will afford you 90 days written notice in advance of any termination, except that 90 days notice is not required for termination as a result of your criminal misconduct, fraud, abandonment, bankruptcy, insolvency, or giving a "no account" or "insufficient funds" check to us.

NEBRASKA

Notwithstanding anything to the contrary set forth in the Agreement, the following provisions will supersede and apply to all franchises offered and sold in the State of Nebraska:

1. No release language set forth in the Agreement will relieve us or any other person, directly or indirectly, from liability imposed by the laws concerning franchising of the State of Nebraska.

2. No language set forth in the Agreement will operate to restrict the sale of any equity or debenture issue or the transfer of any securities of any franchise or in any way prevent or attempt to prevent the transfer, sale or issuance of shares of stock or debentures to employees, personnel of the franchisee, or heirs of the principal owner, so long as basic financial requirements of the franchisor are complied with and any sale, transfer or issuance does not have the effect of accomplishing a sale of the franchise.

NEW JERSEY

Notwithstanding anything to the contrary set forth in the Agreement, the following provisions will supersede and apply to all franchises offered and sold in the State of New Jersey:

1. No release language set forth in the Agreement will relieve us or any other person, directly or indirectly, from liability imposed by the laws concerning franchising of the State of New Jersey.

2. No language set forth in the Agreement will operate to restrict the sale of any equity or debenture issue or the transfer of any securities of a franchise or in any way prevent or attempt to prevent the transfer, sale or issuance of shares of stock or debentures to employees, personnel of the franchise, or heirs of the principal owner, so long as basic financial requirements of the franchisor are complied with and any sale, transfer or issuance does not have the effect of accomplishing a sale of the franchise.

3. Any term or condition which may directly or indirectly violate the New Jersey Franchise Practices Act is deleted from the Agreement.

NEW YORK

Notwithstanding anything to the contrary set forth in the Agreement, the following provision will supersede and apply to all franchises offered and sold in the State of New York:

1. No release language set forth in the Agreement will relieve us or any other person, directly or indirectly, from liability imposed by the laws concerning franchising of the State of New York.

2. Section 12.1 is amended by the addition of the following sentence immediately after the first sentence of that section:

> However, no assignment will be made by us except to an assignee who, in our good faith judgment, is willing and able to assume our obligations under this Agreement (to the extent assigned).

NORTH DAKOTA

Notwithstanding anything to the contrary set forth in the Agreement, the following provisions will supersede and apply to all franchises offered and sold in the State of North Dakota:

1. Covenants not to compete upon termination or expiration of the Agreement are subject to Section 9-08-06, N.D.C.C., and may be generally unenforceable in the State of North Dakota.

2. To the extent that Sections 15.2 or 15.5 of the Agreement would otherwise violate North Dakota law, these sections are amended by providing that all litigation by or between you and us, involving a franchised business operating in the State of North Dakota, will be commenced and maintained, at our election, in the state courts of North Dakota or the United States District Court for North Dakota, with the specific venue in either court system determined by appropriate jurisdiction and venue requirements.

3. North Dakota law applies to this transaction and supersedes any conflicting provisions of the Agreement or Texas law.

4. Section 15.2 of the Agreement is amended to include a statement that in the event that either party will make a demand for mediation, such mediation will be conducted in a mutually agreed upon site.

5. Section 15.2 of the Agreement requires the franchisee to consent to a waiver of trial by jury. This jury trial waiver is deemed deleted and shall not in any way abrogate or reduce any rights of the franchisee as provided for in the North Dakota Franchise Investment Law, including the right to a trial by jury and the right to submit matters to the jurisdiction of the Courts of North Dakota.

6. Section 15.2 of the Agreement includes a waiver of exemplary and punitive damages. That requirement will not apply to North Dakota franchisees and is deemed deleted in each place it appears in the Agreement.

7. Section 15.2 of the Agreement requires the franchisee to consent to a limitation of claims within one year. That requirement will not apply to North Dakota franchisees and is deemed amended to allow claims to be brought within the applicable statute of limitations under North Dakota law.

RHODE ISLAND

Notwithstanding anything to the contrary set forth in the Agreement, the following provision will supersede and apply to all franchises offered and sold in the State of Rhode Island:

1. To the extent that Sections 15.2 or 15.5 of the Agreement would otherwise violate Rhode Island law, these sections are amended by providing that all litigation by or between you and us, involving a Unit operating in the State of Rhode Island, will be commenced and maintained, at our election, in the state courts of Rhode Island or the United States District Court for Rhode Island, with the specific venue in either court system determined by appropriate jurisdiction and venue requirements.

WASHINGTON

Notwithstanding anything to the contrary set forth in the Agreement, the following provisions will supersede and apply to all franchises offered and sold in the State of Washington.

1. The State of Washington has a statute, RCW 19.100.180, which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

2. In any mediation involving a franchise purchased in Washington, the mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the mediation, or as determined by the mediator.

3. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

4. A release or waiver of rights signed by a franchisee will not include rights under the Washington Franchise Investment Protection Act except when signed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act such as the right to a jury trial may not be enforceable.

5. Transfer fees are collectable to the extent they reflect the franchisor's reasonable estimated or actual cost in effecting a transfer.

WISCONSIN

Notwithstanding anything to the contrary set forth in the Agreement, the following provision will supersede and apply to all franchises offered and sold in the State of Wisconsin:

1. The Wisconsin Fair Dealership Law, Chapter 135, Stats. supersedes any provisions of the Agreement that are inconsistent with that law.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

YOU (FRANCHISEE)

If you are an entity:

Entity name (if any): ______________________________
Entity Type: ______________________________
State of Formation: ______________________________

If you are not an entity, you sign this Agreement on behalf of yourself, individually, and on behalf of any controlled entity you later assign this Agreement to (which requires our written consent).

By: ______________________________
Name: ______________________________
Title: ______________________________

By: ______________________________
Name: ______________________________
Title: ______________________________

Date Signed. ______________________________

PACIUGO FRANCHISING LP

By: Paciugo Management, LLC, its General Partner

By: ______________________________
Name: Ugo Ginatta
Title: Chief Executive Officer

Date Signed: ______________________________

EXHIBIT C
to
the Paciugo Franchising LP Franchise Agreement

OWNER AGREEMENT

As a condition to the granting by Paciugo Franchising LP ("we" or "us"), of a Franchise Agreement with ____ , an ______________________________, incorporated__________, EIN#______________, with offices at___________ ("Franchisee"), each of the undersigned individuals ("Owners"), who constitute all of the owners of the complete legal and beneficial interest in Franchisee, covenant and agree to be bound by this Owner Agreement.

1. **Acknowledgments.**

(a) Franchise Agreement. Franchisee entered into a franchise agreement with us effective as of ________________, 20___ ("Franchise Agreement"). Capitalized words not defined in this Owner Agreement will have the same meanings ascribed to them in the Franchise Agreement.

(b) Owners' Role. Owners are the beneficial and/or legal owners of all of the equity interest in Franchisee. Franchisee's obligations under the Franchise Agreement, including the confidentiality and non-compete obligations, would be of little value to us if Franchisee's owners were not bound by the same requirements. Under the provisions of the Franchise Agreement, Owners are required to enter into this Owner Agreement as a condition to our entering into the Franchise Agreement with Franchisee. Owners will be jointly and severally liable for any breach of this Owner Agreement.

(c) Changes in Ownership. In addition to, and not in lieu of, any obligations under the Franchise Agreement, Owners must immediately notify us of any changes in the ownership of Franchisee and any changes in an Owner's address.

2. **Non-Disclosure Of Confidential Information.**

(a) Protection of Confidential Information. Under the Franchise Agreement, we will provide Franchisee with specialized training, proprietary trade secrets, and other confidential information about the establishment and operation of a Unit using our System. Owners will not, during or after the term of the Franchise Agreement, communicate, divulge, or use for the benefit of themselves or anyone else any confidential information, knowledge, or know-how concerning the methods of operation of our business or the Unit which may be communicated to them, or of which they may become aware by virtue of their ownership of Franchisee. This confidentiality obligation specifically includes the Manual, all information in the Manual, supplier discount rates, and any other information, knowledge, know-how, and techniques associated with the System or included in the System Standards. Owners will use their best efforts and utmost diligence to protect the confidentiality of all Confidential Information. At our request, Owners must immediately send us all documents and other things they have that contain any of this Confidential Information.

(b) Our Remedies. Owners acknowledge that any failure to comply with the requirements of this Section 2 of this Owner Agreement will result in irreparable injury to us for which there is no adequate remedy at law, and Owners agree that we may seek, without posting bond, an ex-parte or other order for injunctive or other legal or equitable relief in order to enforce the requirements of this Section 2. Regardless of any other remedies available under this Owner Agreement or applicable law, Owners agree that, because of the difficulty in establishing the precise amount of damages for Owners' breach of their obligations in this Section 2, each Owner will pay us $50,000 as liquidated damages for each breach. Owners also agree to pay all court costs and reasonable attorneys fees that we incur as a result of Owner's actual or threatened disclosure of Confidential Information.

3. <u>Covenant Not To Compete</u>.

(a) Non-Competition During Term of Franchise Agreement. In order to protect our proprietary trade secrets and other Confidential Information and in consideration of our providing you with specialized training and access to our trade secrets and other Confidential Information, during the term of the Franchise Agreement, Owners will not engage in, assist, acquire, advise, consult with, be employed by, own, or become associated in any way with, any business whose methods of operation, trade dress or business concept is the same as or similar to that of the System or the Marks, or which makes or sells gelato, other than the Franchised Business, unless Owners have our prior express written consent. Owners will not solicit or otherwise induce our employees or the employees of any of our affiliates or other franchisee to leave their employment. Owners will not divert or attempt to divert any business or customer of ours or any of our affiliates or franchisees to any competitor.

(b) Non-Competition After Expiration or Termination of Franchise Agreement. In order to protect our proprietary trade secrets and other Confidential Information and in consideration of our providing you with specialized training and access to our trade secrets and other Confidential Information, for a period of 2 years following termination or expiration of this Owner Agreement or following a Transfer, Owners will not: (a) engage in, assist, acquire, advise, consult with, be employed by, own or become associated in any way with any business whose methods of operation, trade dress, or business concept is the same as or similar to that of the System or the Marks, or which sells primarily gelato; (b) engage in, assist, acquire, advise, consult with, be employed by, own or become associated in any way with any business which sells gelato and which is located within a radius of 25 miles from Franchisee's former Unit location, or the location of any Units of any of our affiliates or other franchisees; (c) solicit or otherwise induce our employees or the employees of any of our affiliates or other franchisee to leave their employment; and (d) divert or attempt to divert any customer of ours or any of our affiliates or franchisees to any competitor.

(c) Interests in Publicly-Traded Companies. Section 3 of this Owner Agreement does not apply to the ownership of 5% or less beneficial interest in the outstanding equity securities of any publicly-traded company.

(d) Construction of Covenants. The parties agree that each of the foregoing covenants will be construed as independent of any other covenant or provision of this Owner Agreement. If all or any portion of a covenant in this Section 3 is held unreasonable or unenforceable by a court or agency having valid jurisdiction in a final decision to which we are a party, Owners agree to be bound by any lesser covenant subsumed within the terms of the covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Section 3.

(e) Our Right to Reduce Scope of Covenants. Additionally, we have the right, in our sole discretion, to unilaterally reduce the scope of any covenant set forth in this Section 3, or any portion thereof, without Owners consent, effective when we give Owners written notice of this reduction. Owners agree to comply with any covenant as so modified.

4. Guaranty.

(a) Owners will pay us (or cause us to be paid) all monies payable by Franchisee under the Franchise Agreement on the date and in the manner required for payment in the Franchise Agreement.

(b) Owners unconditionally guarantee full performance and discharge by Franchisee of all of Franchisee's obligations under the Franchise Agreement on the date and times and in the manner required in the Franchise Agreement.

(c) Owners will indemnify, defend and hold harmless us, all of our affiliates, and their and our respective shareholders, directors, partners, employees, and agents, against and from all losses, damages, costs, and expenses which we or they may sustain, incur, or become liable for by reason of:

(1) Franchisee's failure to pay the monies payable (to us or any of our affiliates) pursuant to the Franchise Agreement or to do and perform any other act, matter, or thing required by the Franchise Agreement; or

(2) any action by us to obtain performance by Franchisee of any act, matter, or thing required by the Franchise Agreement.

(d) Owners acknowledge and agree that we will not be obligated to proceed against Franchisee or exhaust any security from Franchisee or pursue or exhaust any remedy, including any legal or equitable relief against Franchisee, before proceeding to enforce the obligations of the Owners as guarantors under this Owner Agreement, and the enforcement of these obligations can take place before, after, or contemporaneously with, enforcement of any of Franchisee's debts or obligations under the Franchise Agreement.

(e) Without affecting Owners' obligations under this Section 4, we can extend, modify, or release any of Franchisee's indebtedness or obligation, or settle, adjust, or compromise any claims against Franchisee, all without notice to the Owners. Owners waive notice of amendment of the Franchise Agreement and notice of demand for payment or performance by Franchisee.

(f) Upon the death of an Owner, the estate of the Owner will be bound by the obligations in this Section 4, but only for defaults and obligations hereunder existing at the time of death; and the obligations of any other Owners will continue in full force and effect.

5. Transfers. Owners acknowledge and agree that we have granted the Franchise Agreement to Franchisee in reliance on Owners' business experience, skill, financial resources and personal character. Accordingly, Owners agree not to sell, encumber, assign, transfer, convey, pledge, merge or give away any direct or indirect interest in this Franchisee, unless Owners first comply with the sections in the Franchise Agreement regarding Transfers. Owners acknowledge and agree that any attempted Transfer of an interest in Franchisee requiring our consent under the Franchise Agreement for which our express written consent is not first obtained will be a material breach of the Franchise Agreement.

6. Enforcement.

(a) Choice of Law. This Owner Agreement and any claim or controversy arising out of, or relating to, any of the rights or obligations of the parties under this Owner Agreement, and any other claim or controversy between the parties will be governed by and construed in accordance with the laws of the State of Texas (without regard for any conflicts of law principals).

(b) Provisional Remedies. We have the right to seek from an appropriate court any provisional remedies, including temporary restraining orders or preliminary injunctions to enforce Owners' obligations under this Owner Agreement. Owners acknowledge and agree that there is no adequate remedy at law for Owners failure to fully comply with the requirements of this Owner Agreement. Owners further acknowledge and agree that, in the event of any noncompliance, we will be entitled to temporary, preliminary, and permanent injunctions and all other equitable relief that any court with jurisdiction may deem just and proper.

(c) Dispute Resolution. The parties agree that the dispute resolution provisions of the Franchise Agreement will apply to any claim or controversy arising out of, or relating to, any of the rights or obligations of the parties under this Owners Agreement, and any other claim or controversy between the parties.

7. Notices.

(a) Method of Notice. No notice, demand, request or other communication to the parties will be binding upon the parties unless the notice is in writing, refers specifically to this Owner Agreement, and is sent to the proper address, fax number or email address.

(b) Notice Addresses. Our current address, fax number and email address for all communications under this Owner Agreement is:

Paciugo Franchising LP:
1215 Viceroy Drive,
Dallas, Texas 75247
Attention: Ugo Ginatta
fax number 214-654-9509
email address ugo@paciugo.com

The current address, fax number and email address of each Owner for all communications under this Owner Agreement are set forth on the signature page of this Owner Agreement. Either party may designate a new address for notices by giving written notice to the other party of the new address by certified or registered first class mail, return receipt requested pursuant to this Section 7. For purposes of this provision, notices sent by fax or email will be deemed to be in writing.

(c) Effective Date of Notices. Notices sent by mail will be immediately effective upon the date of delivery, or, if delivery is refused, the date of the first attempted delivery. Notices sent by fax or email will be effective on the date sent.

8. Miscellaneous.

(a) No Other Agreements. This Owner Agreement constitutes the entire, full and complete agreement between the parties, and supersedes any earlier or contemporaneous negotiations, discussions, understandings or agreements. There are no representations, inducements, promises, agreements, arrangements, or undertakings, oral or written, between the parties relating to the matters covered by this Owner Agreement, other than those set forth in this Owner Agreement. No other obligations, restrictions or duties that contradict or are inconsistent with the express terms of this Owner Agreement may be implied into this Owner Agreement. Except for unilateral reduction of the scope of the covenants permitted in Section 3(e) (or as otherwise expressly provided in this Owner Agreement), no amendment, change or variance from this Owner Agreement will be binding on either party unless it is mutually agreed to by the parties and signed in writing. Time is of the essence.

(b) Severability. Each provision of this Owner Agreement, and any portions thereof, will be considered severable. If any provision of this Owner Agreement or the application of any provision to any person, property or circumstances is determined by a court of competent jurisdiction to be invalid or unenforceable, the remainder of this Owner Agreement will be unaffected and will still remain in full force and effect. The parties agree that the provision found to be invalid or unenforceable will be modified to the extent necessary to make it valid and enforceable, consistent as much as possible with the original intent of the parties, and the parties agree to be bound by the modified provisions.

(c) No Third-Party Beneficiaries. Nothing in this Owner Agreement is intended to confer upon any person or entity (other than the parties and their affiliates, heirs, successors and assigns) any rights or remedies under or by reason of this Owner Agreement.

(d) Construction. No provision of this Owner Agreement will be interpreted in favor of or against either party merely because of that party's role in the preparation of this Owner Agreement, or because of the nature or type of this Owner Agreement. All references to gender and number will be construed to include the other gender and number as the context may require. All captions in this Owner Agreement are intended solely for the convenience of the parties and none will be deemed to affect the meaning or construction of any provision of this Owner Agreement.

(e) Binding Effect. This Owner Agreement may be signed in counterparts, and each copy will be deemed an original. This Owner Agreement is binding on the parties and their respective heirs, executors, administrators, personal representatives, successors and (permitted) assigns.

[REMAINDER OF PAGE INTERNTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties have entered into this Owner Agreement as of the effective date of the Franchise Agreement.

OWNERS

By: ______________________________

Name: ______________________________
Address: ______________________________
____
____
Phone: ______________________________
Fax: ______________________________
Email address: ______________________________

By: ______________________________

Name: ______________________________
Address: ______________________________
____
____
Phone: ______________________________
Fax: ______________________________
Email address: ______________________________

PACIUGO FRANCHISING, LP

By: Paciugo Management, LLC, its General Partner

By: ______________________________
Name: Ugo Ginatta
Title: Chief Executive Officer

EXHIBIT D
to
the Paciugo Franchising LP Franchise Agreement

GENERAL CONTRACTOR LETTER AGREEMENT

This General Contractor Letter Agreement ("Agreement") is made and entered into by and between the Franchisee and General Contractor specified below. In consideration of the following mutual promises, the parties agree as follows:

1. Under the terms of its franchise agreement with Paciugo Franchising, LP ("Franchisor"), Franchisee is required to obtain Franchisor's approval of any general contractor Franchisee desires to hire for the construction and/or build out of the proposed Paciugo unit ("Unit"). The parties acknowledge that Franchisor's approval of General Contractor is conditioned upon, among other things, the submission of this fully-signed Agreement. Franchisor is an intended third-party beneficiary under this Agreement.

2. General Contractor represents that it has access to email on business days, and that it promptly reviews and responds to emails. Franchisee authorizes and instructs General Contractor to communicate with Franchisor by email regarding the Unit. General Contractor agrees to promptly respond by email to all email communications from Franchisor.

3. General Contractor agrees to promptly provide to Franchisor by email a construction schedule for the construction and/or build out (as applicable) of the Unit before beginning construction or build out (as applicable).

4. General Contractor agrees to provide to Franchisor, via email, a detailed weekly update report of construction progress (including photographs showing the current state of construction/build-out and all other details requested by Franchisor). Such email updates must be provided by Thursday of each week to turnkey@paciugo.com until the Unit under construction or build out is completed in accordance with the plans Franchisor has approved.

5. This Agreement shall be made a part of the contract between General Contractor and Franchisee. If there is any conflict between that contract and this Agreement, then the terms of this Agreement will control.

6. General Contractor agrees to build the Unit in strict accordance with the plans approved by Franchisor. General Contractor will not deviate from, or make any changes to, the Franchisor-approved plans unless Franchisor has consented in advance and in writing to such change or deviation.

7. General Contractor agrees to complete Franchisor's punch list prior to receiving a Certificate of Occupancy. All material punch list items must be completed prior to franchisee opening the Unit for business.

Dated: ______________________________, 20___, but effective only upon Franchisee's hiring of General Contractor for the Unit, and approval of General Contractor by Franchisor.

Franchisee:
Entity Name: ____________________________

Signature: ______________________________
Printed name: ___________________________
Title: __________________________________

Address: ________________________________
____
Phone: _________________________________
Email: __________________________________

General Contractor:
Entity Name: ____________________________

Signature: ______________________________
Printed name: ___________________________
Title: __________________________________

Address: ________________________________
____
Phone: _________________________________
Email: __________________________________

EXHIBIT E
to
the Paciugo Franchising LP Franchise Agreement

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We	Introduction
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<u>EXHIBIT F</u>
to
Paciugo Franchising LP Franchise Agreement

Exemptions From Food Labeling Agreement

Exemptions From Food Labeling Agreement

Paciugo Franchising, LP has decided to streamline operations by not printing the ingredients of the gelato bases on the containers. As a result, this agreement is required by *Title 21 Part 101.100 Subpart G Paragraph (d)(2) of the Code of Federal Regulations* for exemptions from food labeling requirements between the following two parties:

Paciugo Franchising, LP	**Paciugo Franchisee**
	Entity: ______________________
1215 Viceroy Drive	Address: ______________________
Dallas, TX 75247	______________________________
	______________________________

The exemptions from food labeling requirements are for the following tetra pack "brick" items: (1) Choc Base, (2) Milk Base, and (3) Water Base. These items are shipped from Paciugo Franchising, LP to Paciugo Franchisee; strictly for internal use only, not for sale or resale; and solely intended to be used with other ingredients to make gelato (Italian ice cream) at Paciugo franchised stores.

The ingredients lists for these items are as follows:

(1) Choc Base: ____
____

(2) Milk Base: ____
____

(3) Water Base: ____
____

Each party will keep a copy of this agreement until 2 years after the final shipment or delivery of these items from Paciugo Franchising, LP to Paciugo Franchisee above and make such copies available for inspection at any reasonable hour to any officer or employee of the Food and Drug Administration's Department of Health and Human Services who requests them.

______________________________	______________________________
Paciugo Franchising, LP / /20__	**Franchisee / /20__**
	Entity:
Representative:	Representative:

EXHIBIT F TO FRANCHISE DISCLOSURE DOCUMENT

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FRANCHISE OPERATIONS MANUAL

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EXHIBIT G TO FRANCHISE DISCLOSURE DOCUMENT

LISTS OF CURRENT AND FORMER FRANCHISEES AND DEVELOPERS
As of December 31, 2015

CURRENT FRANCHISEES AND DEVELOPERS

California				
BKB Inc.	24511 Frampton Ave. Harbor City CA 90710	310-379-2525	Open	Franchisee
Blessing Inc.	4680 Weathervane Dr. Alpharetta, Georgia 30022	678-427-0629	Not open yet	Franchisee
My Gelato, LLC	5399 Playa Vista Drive #E-409 Playa Vista, California 90094	310-367-8666	Not open yet	Franchisee
Mei Long's Sweet Temptations, LLC	260 Haydens Walk Ct. Alpharetta, Georgia 30022	404-644-0621	Not open yet	Franchisee
Gelato Passion Inc.	3100 Morningside Drive Thousand Oaks, California 91362	805-241-7559	Open	Franchisee
My Viet Investment	369 S. Doheny Dr. PMB508 Beverly Hills, California 90211	310-962-3878	Not open yet	Franchisee
Colorado				
HCT Sun, LLC	4040 East 6th Avenue Parkway Denver, CO 80220	303-242-6837	Open	Franchisee
Montagne di Gelato, Inc.	8311 S. Louden Crossing CT Fort Collins, Colorado 80528	970-567-0038	Open	Franchisee
Florida				
Riche' Enterprises	300 Beach Dr. Suite 120 St. Petersburg, Florida 33776	727-209-0298	Open	Franchisee
Thomas & Associates Gelato, LLC	14875 Seminole Trail Seminole, Florida 33776	919-718-9726	Not open yet	Franchisee
Kimberly J Shelpman	3133 Galindo Circle Melbourne, Florida 32940	321-233-0704	Not open yet	Franchisee
Randy Thomas, Elizabeth	12931 SW 95 Ave.	786-732-0397	Not open yet	Franchisee

Borges	Miami, Florida 33176			
Andres Gallegos	316 Cameron Dr. Weston, Florida 33326	954-348-2260	Not open yet	Franchisee
Farmace, LLC	1260 Garden Rd. Weston, Florida 33326	54114546258	Not open yet	Franchisee
Kansas				
Bearchrisaaa, Inc.	6709 W. 119th St. #219 Overland Park, Kansas 66209	913-927-5680	Open	Franchisee
Le Due Scimmie	8111 High Dr. Leawood, Kansas 66206	913-383-8075	Open	Franchisee
Louisiana				
Jawed J. Jiwani	211 W. Alabama Ave Ruston, Louisiana 71270	903-283-4319	Open	Franchisee
Illinois				
Aadya Holdings Inc.	1300 W Higgins #209 Park Ridge, Illinois 60068	608-848-1844	Open	Franchisee
Avi Ventures Inc	1300 W Higgins #209 Park Ridge, Illinois 60068	608-848-1844	Open	Franchisee
Ayi Enterprises Inc	1300 W Higgins #209 Park Ridge, Illinois 60068	608-848-1844	Open	Franchisee
EDBD ICE, LLC	706 Feather Sound Drive Bolingbrook, Illinois 60440	630-461-6888	Not open yet	Franchisee
Minnesota				
Crysanthemum ,LLC	392 West Market Bloomington, Minnesota 55425	651-699-7729	Open	Franchisee
Nevada				
Reynaldo Reyna & Ana Regina Tanasescu	5015 Addison Circle #280 Addison, Texas 75001	972-653-2859	Not open yet	Franchisee
North Carolina				
Mycroft LLC	4656 Ashley Lane Denver, North Carolina 25037	704-489-9973	Not open yet	Franchisee

Oklahoma				
IAMB Inc	5631 Plumtree Drive Dallas, Texas 75252	214-417-2768	Open	Franchisee
Texas				
KENCORP INC	1540 Commerce Dr. Plano, Texas 75093	972-392-0319	Open	Franchisee
Navalta Group LLC	8813 Calistoga Springs Way Plano, Texas 75024-3777	972-335-4878	Open	Franchisee
Gourmet Gelato & Caffè, LLC	6710 Fisher Road Dallas, TX 75214	832-254-8283	open	Franchisee
ITALIA ICE LLC	5915 Forest Ln, Suite 320 Dallas, TX 75230	214-717-0720	Open	Franchisee
A&E Gelato, LLC	2410 Taylor St. #22424 Dallas, Texas 75201	817-870-2725	open	Franchisee
Phillip & Winnie Dungey	23245 SE 57th Street Issaquah, Washington 98029	972-506-7265	Not open yet	Franchisee
WXW Investments, LLC	3821 Brandon Park Drive Garland, Texas 75044	469-450-7041	open	Franchisee
Laredo Gelato, INC.	112 Lake Geneva Drive Laredo, Texas 78041	956-712-4432	Not open yet	Area Developer
Nirankar, LLC	6509 Riveredge Drive Plano, Texas 75024	214-991-6271	Open	Franchisee
Charlemagne Estates, LLC	2113 Abrams Road Dallas, Texas 75214	214-399-8468	Open	Franchisee
HBYT Enterprise, LLC	7309 Brightwater RD Fort Worth TX 76132	510-847-0074	Open 2 units	Franchisee
Successfully Sweet	215 S. University Parks Drive Waco, Texas 76701	254-379-1809	Not open yet	Franchisee

Jawed J Jiwani	211 W. Alabama Ave Ruston, LA 71270	903-283-4319	Open	Franchisee
Kaushal Jariwala	1145 Philip Dr. Allen, Texas 75013	972-798-1979	Not open yet	Franchisee
Linda & Don Day	102 E. Louisiana Street McKinney, Texas 75069	214-455-4596	Open	Franchisee
Sphinx Inc LLC	6815 Terra Rye San Antonio TX 78240	512-963-1884	Open	Franchisee
Bhakti, Inc.	2009 National Park Blvd Austin, TX 78747	214-641-8891	Not open yet	Franchisee
HOST DLFJV DAL F&B LLC	6905 Rockledge Drive Bethesda, Maryland 20817	240-694-4100	Open	Franchisee
AVG Group Inc.	4505 Briar Hollow Drive Plano, Texas 75093 34 Highland Park Village	214-499-1332	Open	Franchisee
JAAAR Eateries LLC	8739 Jerry Loop Laredo, Texas 75045	214-443-9965	Not open yet	Franchisee
Washington				
Dextera, Inc.	25838 NE 4th Place Sammamish, WA 98074	206-484-4625	Not open yet	Franchisee

FORMER FRANCHISEES AND DEVELOPERS

Except as listed below, there are no franchisees or developers who have had an agreement terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under our Franchise Agreement (F.A.) or Development Agreement (D.A.) during the most recently completed fiscal year, or who have not communicated with us within 10 weeks of the date of this disclosure document:

Kostek Gelato & Coffee
Wilmington, Delaware
302-438-3880

Paciugo of Cleveland Hopkins LLC
c/o MBC Enterprises, Inc.
Decatur, GA
440-561-3448

Dave's Gelato Company
Medina, Ohio
330-410-6449

Twomey Village Theater LLC
Dallas, TX
214-443-9965

J&K Gelato, LLC
River Oaks, TX
817-680-0043

Hot Spot Italian Gelato Inc.
Lewisville, TX
214-707-7670

Real Gelato, LLC
Blue Springs, Missouri
916-229-2043

EXHIBIT H TO FRANCHISE DISCLOSURE DOCUMENT
FORM OF GENERAL RELEASE

Franchisee's name(s): ____
Franchisee's address: ____
____

Franchisee's Unit location: ____

1. Franchisee is a current or former franchisee of Paciugo Franchising LP.

2. Franchisee, on behalf of Franchisee and all successors, representatives, assigns and agents of Franchisee, hereby releases and forever discharges Paciugo Franchising LP and its successors, assigns, representatives, agents, partners, officers, directors, shareholders, affiliates and employees, whether past or present, of and from any claims, controversies, debts, rights, liabilities, disputes, demands, obligations, costs, expenses, actions, and causes of action of any nature, character or description, known or unknown, vested or contingent, which Franchisee and all successors, representatives, assigns and agents of Franchisee now own or hold or have at any previous time owned or held, or may at any future time own or hold, arising through the date of this General Release. Without limitation, the release and discharge provided in this paragraph forever forecloses Franchisee and its successors, assigns, representatives, agents, partners, officers, directors, shareholders, affiliates and employees from raising such matters by way of complaint, affirmative defense, counterclaim, cross-action, setoff or recoupment. However, this release does not apply to any liability arising under any applicable state law which expressly limits releases of such liability.

3. By executing this General Release, Franchisee, on behalf of Franchisee and all successors, representatives, assigns and agents of Franchisee, represent and warrant that no third party has or claims any interest in any claim released by this General Release.

4. Franchisee acknowledges that this General Release has the effect of releasing any and all rights granted to Franchisee as the franchisee under the terms of the Paciugo Franchise Agreement relating to the Paciugo location described above.

5. Franchisee agrees to comply with all of its applicable post-termination or post-transfer obligations (as the case may be) in the Paciugo Franchise Agreement relating to the Paciugo location described above.

IN WITNESS WHEREOF this General Release is executed on ____________, 20___.

FRANCHISEE:

By: ____________________________________
Printed Name: ___________________________

By: ____________________________________
Printed Name: ___________________________

EXHIBIT I TO FRANCHISE DISCLOSURE DOCUMENT
RECEIPT

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If we offer you a franchise, we must provide this disclosure document to you 14 calendar days before you sign a binding agreement with or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

New York and Rhode Island require that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan, Oregon, Washington and Wisconsin require that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If we do not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agencies listed in *Exhibit B.*

Issuance date: May 12, 2016

Our franchise seller is our Chief Executive Officer, Ugo Ginatta, at 1215 Viceroy Drive, Dallas, Texas 75247, (214) 654-9501.

* * * *

I have received a Franchise Disclosure Document dated May 12, 2016, and an effective date as shown on the State Effective Dates page that included the following exhibits:

Exhibit A	State Addenda	Exhibit E	Financial Statements
Exhibit B	List of Administrators and Agents for Service of Process	Exhibit F	Manual Table of Contents
		Exhibit G	Current/Former Franchisees
Exhibit C	Paciugo Franchise Agreement	Exhibit H	Form of General Release
Exhibit D	Paciugo Gelato Caffè Kiosk Franchise Agreement	Exhibit I	Receipts

I was able to open the pdf file containing this FDD and save it in a legible format.

Date: ________________ Prospective Franchisee : ________________________
(do not leave blank) Printed Name: ______________________________

[YOUR COPY—TO BE RETAINED WITH YOUR COMPLETE PRINTED FDD]

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		Exhibit I	Receipts

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Date: ________________ Prospective Franchisee: ______________________
(do not leave blank) Printed Name: ______________________________

[OUR COPY – PLEASE SIGN AND RETURN THIS COPY TO US]